Austria	Sch24	Indonesia	Rp3100	Pakistan	Rs30
Bahrain	Din0.700	Iran	Rls210	Philippines	Pes40
Belgium	BFr55	Israel	Shk3.50	Poland	Zl 9,000
Cyprus	C£0.90	Italy	L2000	Portugal	Es165
Denmark	DKr12.00	Jordan	Fils1000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM8.50	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.50	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.00	Switz	SFr2.50
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft107	Nigeria	Naira16	Tunisia	Din0.800
Iceland	IKr150	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

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D 8523A

UK INFLATION

Industry takes the initiative

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World News

Mandela sees separate role for S Africa Communists

Nelson Mandela, deputy president of the African National Congress, distanced himself from the South African Communist Party at a rally to mark the public launch of the party after 40 years as a banned organisation. However, Mr Mandela defended the party against allegations by South African President F.W. de Klerk that it was plotting to seize power. Page 12

Ex-BCCI five guilty

Five former officers of the Bank of Credit and Commerce International were convicted of laundering $14m of cocaine profits for Colombia's Medellin drug cartel. Page 2

Mongolians vote

As Mongolians swarmed to choose their first freely elected government, election officers said a third of the one million people eligible had voted after six hours of polling.

Soviet economy

The Soviet economy has worsened despite President Mikhail Gorbachev's attempt to transform it along free market lines, with increases in inflation, money supply, the trade deficit, debt and unemployment according to official figures.

Looting in Chicago

Mass looting and burglaries were reported by police after a fire knocked out a power plant and darkened homes, businesses and street lights across a poor area Chicago.

Jordan in Gulf talks

King Hussein of Jordan set off for Iraq and Kuwait in the latest attempt by an Arab leader to mediate in the dispute between the two countries over oil and land. Page 2

China rejects plan

China repeated its rejection of Britain's plan to give passports to key Hong Kong residents, a day after Mr Francis Maude, UK Foreign Office Minister, wound up a visit to Peking to repair ties. Page 4

Algeria poll set

Algerian President Chadli Benjedid announced early parliamentary elections for the first quarter of 1991, thus ending weeks of speculation about how long parliament could survive an Islamic challenge.

Armenians defiant

Armenia's parliament defied Soviet President Mikhail Gorbachev by voting to suspend a presidential decree demanding the disarming of all militant groups within 15 days, the nationalist Armenian National Movement said.

Walesa attack

Lech Walesa, Solidarity leader and challenger to President Wojciech Jaruzelski, said the president was a symbol of the past, as his supporters stepped up pressure on the former communist leader to resign. Page 2

Cambodia talks

Foreign ministers of the Association of South East Asian Nations (Asean) and its six major trading partners ended a meeting in Jakarta committed to revitalising the Cambodian peace process before a controversial decision is taken at the United Nations on who should occupy Cambodia's seat. Page 4

Iran hostage call

Iran welcomed the release of convicted killer Anis Naccache, a pro-Iranian Lebanese gunman, from a French jail and renewed its call for all western hostages in Lebanon to be freed. Page 4

Crackdown in Tibet

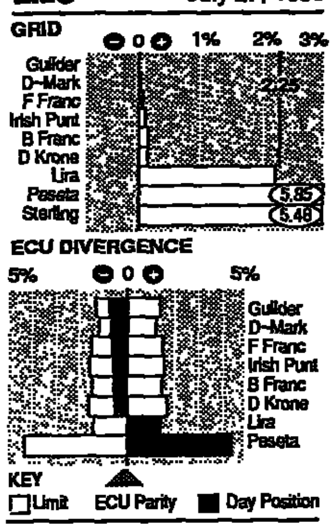
Chinese Communist leader Jiang Zemin has ordered a tough crackdown on Tibet's pro-independence movement.

Business Summary

East German deficit may be DM10bn over forecast

East Germany's budget deficit for the second half of this year is likely to be at least DM10bn ($6bn) higher than expected thanks to lower tax income and higher expenditure, especially on unemployment, according to Mr Hans Neumann, spokesman for the East German Finance Ministry. Page 12

EUROPEAN Monetary System: Calls came from Paris and Frankfurt last week for countries with high yielding EMS currencies – Spain and Italy – to cut interest rates. Both the peseta and lira remained around around their ceilings against the weaker EMS members, but eased against the French franc and D-Mark. The Bank of Spain is reluctant to cut rates and acted to drain liquidity in Madrid on Friday.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu).

PRESIDENT Bush has given the formal go ahead to the sale of a US semiconductor equipment supplier to a Japanese group despite strong objections from the American semiconductor industry and some members of Congress. Page 12

DEUTSCHE Terminbörse, West Germany's futures and options exchange, will have to delay trading on new futures contracts beyond the middle of September because of teething problems with new software, the DTB said. Page 15

US Secretary of Commerce, Mr Robert Mosbacher, has tried to allay fears among Hong Kong exporters of growing trade protectionism in the US. Page 4

WEST Germany's three largest electricity generation companies have reached an agreement with East German authorities to modernize and take control over East Germany's electricity generation industry. Page 12

UK mortgage arrears and repossessions have risen dramatically since the beginning of the year, according to a report being prepared by the Building Societies Association. Page 7

SWISSAIR, Switzerland's publicly traded national airline, announced a sharp fall in pretax operating profit for the first half of 1990 and stepped up its cost-cutting programme. Page 15

ISRAEL'S hawkish Housing Minister, Mr Ariel Sharon, presented the cabinet yesterday with a $13.5bn five-year programme to provide housing for the large numbers of Soviet Jewish immigrants expected over the next several years. Page 4

Police try to rescue Trinidad PM

By Canute James in Kingston, Jamaica

TRINIDAD police yesterday stormed the parliament buildings in the capital, Port of Spain, in an attempt to free Mr Arthur Robinson, the Prime Minister, and other parliamentarians, who were taken hostage on Friday night in an attempted coup.

The Caribbean News Agency reported the attack from Trinidad, saying that small arms and artillery were used. Thick smoke rose from a section of the parliament buildings during the attack, but there was no word on the condition of the hostages.

The storming followed attempts by the country's church leaders to broker a settlement between the Government and the radical Black Muslim group which attempted the coup. Last night, the talks were still under way.

Mr Yasin Abu Bakr, a former police officer who led the insurrection and claimed to have toppled the Government, had earlier warned that any attempt by the armed forces to intervene would jeopardise the lives of the hostages.

Mr Robinson was reported on Saturday to have been shot in the leg when he refused to read out an order to the police, written by his captors, that there should be no intervention. Reports that he and other parliamentarians had been wired to explosives by their captives have not been confirmed.

Under the agreement being worked out by church leaders, it was suggested that Mr Robinson step down and hand over to Mr Winston Dookeran, a cabinet minister, who would call elections in 90 days in the English-speaking Caribbean republic of 1.2m people. For their part, the Black Muslims would be granted an amnesty and provided with an aircraft to fly to Libya, the country to which the group is closely linked.

However, Mr Abu Bakr said yesterday he had no intention of leaving Trinidad. He had

Continued on Page 12

Trinidad Premier Arthur Robinson: reported wounded

Bull suffers FFr1.88bn loss as problems grow for computer industry

By Alan Cane in London

GROUPE BULL of France, one of Europe's leading computer manufacturers, will today announce losses for the first half of 1990 that are substantially worse than anticipated and which mean that the company is unlikely to avoid an overall loss for the second year running.

The state-owned company will announce losses of FFr1.88bn ($340m), FFr880m more than it budgeted for and more than three times the loss for the same period last year.

Its predicament illustrates the plight of mainframe manufacturers world-wide as they try to come to terms with fundamental changes in the computer industry which are hitting gross margins and forcing companies to lay off staff and rethink their product lines.

The results provide further industrial logic for the take over of ICL, computer division of the UK's STC, by Fujitsu, Japan's leading mainframe maker. Under the deal, due to be signed this morning, the Japanese company will secure 80 per cent of ICL for £740m ($1.346bn). Mr Peter Bonfield, ICL's chairman and chief executive, is expected to remain as head of the new company and his senior management team will remain in post.

Established US and European companies have been worst hit. In 1989, according to figures from Bull, there was an average fall of 50 per cent in profits from the world's 20 top computer suppliers.

The only companies which seem partially immune from the malaise are International Business Machines, because of its size and market share, and the Japanese mainframe computer makers, helped by a bouyant home market.

The chief cause of the problems for the industry is the speed at which customers are turning away from expensive proprietary systems to cheaper industry standard or "open" systems which bear significantly lower gross margins.

Manufacturers are trying to align their businesses with the new industrial cost structure but the rate of change is proving too fast for most to adjust without hardship.

Groupe Bull's sales for the first half of the year were FFr15.9bn compared with FFr14bn for the same period last year. The results are not strictly comparable because during the year, Bull acquired the computer division of Zenith Electronics of the US. Bull traditionally generates 60 per cent of its sales in the second half of the year.

Mr Francis Lorentz, Bull's chairman said steps to improve the company's trading position would include reducing worldwide employment by about 3,000 in addition to the 2,000 jobs lost in 1989. He was anxious also to eliminate overlap in research and development between the company's European and North American teams and to rationalise manufacturing capacity.

Only the nimblest will survive, Page 10; Lex, Page 12

Gorbachev tries to solve Russian bank dispute

By Leyla Boulton in Moscow

PRESIDENT Mikhail Gorbachev moved yesterday to defuse a row over who controls Russian banks with a compromise decree reasserting Moscow's authority but giving individual republics the right to jointly manage banks on their territory.

The Russian Federation, the largest republic led by Mr Boris Yeltsin, earlier this month challenged the power of Gosbank, the all-union state bank, with a resolution seizing control of all its banks.

In response, Mr Viktor Geraschenko, the central bank chairman, appealed to Mr Gorbachev last week to overrule the Russian Parliament's move, and instructed all banks to continue obeying Gosbank.

Mr Gorbachev's decree, published yesterday by Tass, the official news agency, said the existing system for bank loans and settlements would remain in force until the conclusion of a new union treaty binding republics in a loose confederation.

Although it did not mention Russia specifically, the decree accused unnamed republican bodies of taking decisions which ignored "established economic ties and . . . the lasting interests of the entire country."

However, the Soviet leader, who warned on Friday that a split among reformers was the greatest threat to perestroika, also announced plans for a joint council to manage the banking system in the interim. The council, consisting of Mr Geraschenko and the chiefs of republican state banks, would work out a common credit and monetary policy and jointly

Continued on Page 12
Shevardnadze for IMF, Page 2

Shareholders in EBRD call on Attali to rethink

By Peter Riddell, US Editor, in Washington

THE US and other leading shareholders are pressing Mr Jacques Attali, president-designate of the new European Bank for Reconstruction and Development, to change his proposals for centralising power and for setting up an extensive branch network.

Some shareholders have warned that they may reconsider participating in the bank, intended to assist east European economic reform, if the changes are not before their next meeting in London in October.

The shareholders were worried by detailed suggestions made at a tense meeting in London earlier this month by Mr Attali, a close adviser to President François Mitterrand of France, which were seen as being against both the spirit and the letter of the general structure for the bank agreed in late May after lengthy negotiations.

The dispute is both about the style of Mr Attali's management and about the direction of the bank, which, with an initial capital of $13bn, is also intended to aid the east European private sector.

Officials in the Bush Administration hope these "very unfortunate" problems are temporary and are seeking clarification from Mr Attali, who is on holiday.

But US officials say that, unless these questions are resolved, existing strong opposition in Congress may make it more difficult to pass the necessary legislation authorising US involvement. Hence it is possible that the US, with a planned 10 per cent stake, may not join the bank.

According to one non-US participant at the London meeting, Mr Attali irritated representatives of member governments by his attitude to questions.

At one stage he apparently said he did not deal with bureaucrats but with prime ministers, with whom any problems should be raised. He hinted that if the shareholders did not like his plan he would resign.

The US and other shareholders, including Japan and some European ones, believe that Mr Attali is departing from the agreed framework in concentrating power upon himself as president rather than leaving authority for approving policy and loans with the board of executive directors from member shareholders, as happens with the IMF and World Bank.

Consequently, US officials have described as "patently unacceptable" Mr Attali's proposal that the agreed plan to have resident executive directors should be deferred for two years.

There is also concern that the earlier agreement that the senior vice-president, Mr Attali's deputy, would be an American has not yet been resolved, although discussions are continuing with Mr Ernest Stern, a senior vice president of the World Bank.

The other main worry is about Mr Attali's proposal to set up branches throughout eastern Europe. A US official said this risked repeating the mistakes of other regional multilateral development banks which had set up such branch networks, creating an incentive just to pump money out. Instead, the critics would like to see a business plan for the bank's lending policies agreed first.

Front-runner in PowerGen sale might seek 'underwriting' fee

By Philip Stephens and Andrew Hill in London

THE UK Government's plans to privatise PowerGen ran into further political controversy yesterday following official acknowledgement that it might pay a substantial "underwriting" fee to Hanson, the industrial conglomerate.

Mr John Wakeham, the Energy Secretary, said Hanson, which has emerged as the front-runner in a possible auction of the electricity generating company, had indicated that it would seek to recoup its expenses if it made the opening bid for PowerGen.

He emphasised that the Government had made no decision on such a payment and dismissed reports that Hanson had already suggested it would want a fee of about £15m ($27.3m) – 1 per cent of the estimated value of PowerGen.

He also insisted that, even if an auction of PowerGen went ahead, he would keep open the option of rejecting all of the bids and floating the company on the stock market.

The acknowledgement, however, that some payment could be made to Hanson prompted criticism among Conservative MPs and provoked a fierce attack from the opposition Labour Party.

They demanded an independent inquiry into privatisations and the establishment of strict guidelines for such sales. Hanson has traditionally been a big contributor to Conservative Party funds.

Some government ministers have privately voiced disquiet that the publicity surrounding the negotiations with Hanson could threaten the popularity of the Government's programme of asset sales.

Hanson, which has been involved in informal negotiations with the Department of Energy for some weeks, has until August 17 to come up with a firm offer for PowerGen. The Government would then invite other industrial groups to offer a higher price. GEC is among several large companies which have expressed interest.

Mr Wakeham said that he had been told that Hanson would expect reimbursement of its expenses if it agreed to leave its bid on the table while the Government sought other offers. He insisted that he had not agreed in advance to such an underwriting fee, but instead would be guided by the advice of the merchant banks handling the sale.

Meanwhile, Mr Wakeham dismissed any suggestion that Electricite de France, the French state-owned industry company, might buy PowerGen. He said the Government had no intention of selling the the generator to a nationalised industry and would take full account of its competition rules into any privatisation.

PowerGen will tomorrow announce its results for the year to March 31, its last figures in the public sector. The group is expected to report a loss of £70m or £80m, after various provisions including the cost of cutting the workforce by about 1,000.

Lex, Page 12

Austrian statesman Kreisky dies

BRUNO KREISKY, Chancellor of Austria for 13 years and for long one of Europe's most influential politicians, died yesterday at 79.

He was the first postwar leader to give Austria a more important standing in international counsels than his country warranted. As a diplomat and Foreign Minister in the 1950s and 1960s, he was one of the pacemakers in the search for a relaxation of tension in Europe.

Although of Jewish extraction, he also became a welcome visitor to Arab countries and helped to prepare the way for European initiatives seeking to resolve the conflicts of the Middle East.

A Socialist from his youth, he was imprisoned in the 1930s both by the Austrian fascists and then by the Nazis before escaping to Sweden in 1938.

In the 1960s he moved the Socialists towards the centre, breaking with the traditions of so-called Austro-Marxism. His reward came in the elections of 1970 and 1971 which made him Chancellor first of a minority government, then of one commanding an absolute majority.

Under his reign Austria advanced to join the world's rich countries. The slow-spoken, often seemingly absent-minded Chancellor grew into a father figure and was referred to, half in grudging admiration, as "Kaiser Bruno."

Obituary, Page 2

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THE MONDAY INTERVIEW

Opinions in Italy are still divided about Franco Nobili (left), raised last year by Prime Minister Giulio Andreotti to the presidency of Istituto per la Ricostruzione Industriale (IRI), the public sector holding company.
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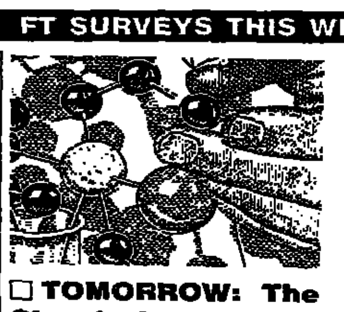
FT SURVEYS THIS WEEK



□ **TOMORROW: The Chemical Industry**

Benefiting from a boom in the late 1980s, the chemicals industry now accounts for annual world output of about $1,000bn. But the outlook for the 1990s is uncertain.

■ **AUGUST 9:**
Singapore: The city state's 25th anniversary provides an opportunity for celebration and for reflection.

■ **AUGUST 20:**
Malaysia: A buoyant economy provides the setting for a critically important general election

■ **AUGUST 29:**
Aerospace: The industry is reporting strong growth in civil business, but increasing worries over defence.

■ **AUGUST 31:**
Technology Transfer: Many governments are making it a condition of research grants that companies and universities work together.

Moscow ready to join IMF after 45 hostile years

By **Leyla Boulton** in Moscow

MR EDUARD Shevardnadze, the Soviet Foreign Minister, has confirmed that Moscow is ready to join the International Monetary Fund (IMF) after 45 years of hostility towards the western world's most powerful financial institution.

"Our country regards membership of the IMF as a logical continuation of its policy of wider involvement in global economic cooperation," he told Mr Michel Camdessus, the IMF's managing-director, according to Tass, the official news agency.

Mr Shevardnadze said that the Soviet Union had rejected advice from its own economists back in 1945 that not joining the IMF would isolate the country.

Tass said that Mr Camdessus, on a three-day visit to Moscow to draw up a report on the Soviet economy, had reacted favourably to Mr Shevardnadze's approach at a meeting on Saturday.

Mr Stanislav Asekritov, deputy head of the government's economic reform commission, said on Friday that Moscow saw the IMF report as a first step to membership now that "political barriers" had been swept aside.

The IMF chief also met Mr Nikolai Ryzhkov, the prime minister, during unprecedented consultations with the Kremlin leadership, as well as a host of senior economic figures such as Mr Viktor Gerashchenko, the chairman of the Soviet central bank.

"The Soviet Union attaches great importance to developing relations with international financial and credit institutions, especially with the IMF," Mr Ryzhkov was quoted by Tass.

The IMF study, requested by the Houston summit earlier this month, could unleash large-scale western aid for Soviet efforts to adopt a market economy. Mr Ryzhkov said that his government's economic reforms would help integrate the Soviet Union into the world economy.

The Washington-based organisation offers balance of payments assistance to member countries which implement structural adjustment programmes prescribed by it. Until recently however, Moscow has viewed the IMF with deep suspicion, as a bastion of capitalist economics.

● The Soviet Union's foreign debt now stands at Rbs58bn ($59.9bn), according to Mr Stepan Sitarian, head of the State Commission for Foreign Economic Relations.

This is up from the figure of Rbs34bn cited by the government earlier this month.

● Armenia's parliament has defied President Mikhail Gorbachev by voting on Saturday to suspend a presidential decree demanding the disarming of all militant groups within 15 days, a nationalist group said yesterday, Reuter reports from Moscow.

In neighbouring Georgia, authorities began evacuating several hundred of the 25,000 train travellers stranded by protesters who have blocked rail lines to press for registration of political parties.

Bankers convicted in drugs case

By **Tom Brennan**, Tampa, Florida

FIVE FORMER officers of the Bank of Credit and Commerce International were convicted on Sunday of laundering $14m of cocaine profits for Colombia's Medellin cartel.

The convictions came after seven days of jury deliberations and end a six month trial.

In addition to the conspiracy charges, the bankers were also convicted of specific acts of money laundering ranging between three and 20 offences.

Also convicted was a Colombian aircraft broker reputed to be a top lieutenant in the Medellin cartel.

No sentencing date has been set but the defendants face between 20 and 30 years without parole under US sentencing guidelines.

The bankers accepted their fate with stone faces showing no emotion, but their families and friends in the audience openly sobbed and wailed as they were taken down in the court room.

The bankers had been under house arrest at a Tampa condominium since their arrest in October 1988. But the judge ordered them to be taken into immediate custody after the guilty verdicts were announced.

Prosecutors claim the convictions were a significant victory in the nation's war against drugs.

"The US takes drug trafficking seriously and if you violate the law you will go to jail no matter if you're a banker wearing a grey suit or how much money you have behind you," said prosecutor Mark Jackowski.

The bank's board of directors, in a statement from its London offices, said it sympathised with the families of its former employees but that their actions were against written bank policies.

Two BCCI subsidiaries pleaded guilty in January to laundering the $14m cocaine proceeds and forfeited that amount plus $1m in interest to the Government. It is the nation's largest criminal penalty for a bank caught dealing in drug cash.

Low interest in Hungarian poll

HUNGARIANS voted yesterday in a referendum on how the country should elect its president but the turnout looked like being low because of disillusionment with post-communist politics, Reuter reports from Budapest.

At issue is whether the president should be chosen by direct election. This requires a turnout of over half the 7.85m voters.

Four of Hungary's six largest parties opposed the referendum and public apathy was expected to deal the ex-communist Hungarian Socialist Party – one of the main advocates of a direct presidential elections – its second polling booth blow in eight months.

Kurds killed in clashes

CLASHES between Turkish security forces and separatist Kurdish guerrillas left about 30 people dead over the weekend in Turkey's troubled south-east, Jim Bodgener reports from Ankara.

There were at least five separate gun battles. Most of the dead were insurgents of the Marxist Kurdish Workers Party (PKK), which is fighting for a separate state.

Mr Abdulkadir Aksu, Turkey's Interior Minister, reiterated that the involvement of hostile countries has been one of the main causes of the insurgency, which since August 1984 has claimed nearly 2,500 lives. Syria has repeatedly been singled out.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1985 = 100)

	Jun.'90	May.'90	Apr'90	Jun.'89	% change over previous year
US	116.3	115.8	115.1	114.8	+1.3%
Japan	124.5	125.0	121.9	121.2	+2.7%
	May.'90	Apr.'90	Mar'90	May.'89	
U.K	111.7	112.2	111.8	108.3	+3.1%
W.Germany	114.9	112.8	116.9	107.2	+7.2%
France	111.4	111.1	109.5	109.7	+1.5%
Italy	118.7	118.6	119.3	116.4	+2.0%

Source: (except US and Japan) Eurostat

Pressure put on Jaruzelski to quit

By **Christopher Bobinski** in Warsaw

MR LECH Walesa, the Polish Solidarity leader, said yesterday that President Wojciech Jaruzelski was a symbol of the past, adding to pressure from nearly 100 senators and deputies for the former communist leader to resign.

"Can we say we have finished building democracy in Poland if we still have a president from a different epoch?" Mr Walesa asked members of his Citizens' Committee.

The Committee has helped spearhead democratic changes in Poland.

The parliamentarians had called for Gen Jaruzelski to quit in a letter initiated at the weekend by the Centre Agreement, a right-leaning Solidarity faction which wants Mr Walesa elected president in the autumn by the 560-strong assembly.

Gen Jaruzelski replied with a letter which was read to parliament, in which he said he would make his intentions known once there was debate on the timing of both presidential and parliamentary elections.

Such a parliamentary debate is being mooted for the middle of September.

The Centre Agreement, which is critical of the present government, is urging that parliamentary elections be held soon after the presidential ballot.

The present parliament, which has another three years to run, was elected last summer under an agreement with the then ruling Communist Party reserving it 33 per cent of the seats.

Democratic Action, the rival Solidarity faction which aims to block Mr Walesa's candidacy for president, held a founding congress in Warsaw at the weekend.

The movement, in which Mr Adam Michnik plays a prime role, is urging a presidential election but is loath to speed parliamentary elections.

It supports Mr Tadeusz Mazowiecki, the prime minister.

OBITUARY: BRUNO KREISKY

Austrian Chancellor who brought his country out of its postwar shell

ALTHOUGH it is hard to remember it now, there was a time when three of the most influential politicians on the European stage were Olof Palme, the Swedish Prime Minister, Willy Brandt, the West German Chancellor, and Bruno Kreisky, the Chancellor of Austria. Palme was assassinated: Brandt has survived to see his dream of a Germany united by peaceful means coming true: Kreisky died yesterday at the age of 79.

The three had in common a desire to press ahead with detente when Europe was still in the grip of the cold war, a commitment to social democracy born partly of a dislike of communism, and shared membership of the Socialist International. All of them in their time presided over successful economies, and Kreisky was credited with some of the felicities of the "Austrian Model," which provided economic growth, low inflation and social harmony.

Kreisky was the first postwar leader to give Austria a more important standing in international counsels than his country warranted. As a diplomat and Foreign Minister in the 1950s and 1960s, he was one of the pacemakers in the search for a relaxation of tension in Europe. Although of Jewish extraction, he also became a welcome visitor to Arab countries and helped to prepare the way for European initiatives seeking to resolve the conflicts of the Middle East.

Bruno Kreisky was born into a middle class Moravian family in Vienna in 1911. He was a Socialist from his teens. In the 1930s he was imprisoned both by the Austrian fascists and then by the Nazis before escaping to Sweden in 1938.

His political star rose after the general election of 1966 when the conservative Austrian People's Party won an absolute majority and terminated the coalition with the Socialists which had governed the country since the end of the war. Deprived of the Foreign Ministry, Kreisky became leader of the Socialists the following year.

Once in charge, he moved the party towards the centre, breaking with the traditions of so-called Austro-Marxism. His reward came in the elections of 1970 and 1971 which made him Chancellor first of a minority government, then of one commanding an absolute majority. Against all predictions, he maintained that majority in successive elections over a decade.

The slow-spoken, often seemingly absent-minded Chancellor gradually grew into a father figure. He was generally referred to, half in envy, half in grudging admiration, as Kaiser Bruno.

Under his reign Austria advanced into the world's rich countries, outstripping Britain in GDP per head. The country also weathered the recessions set off by the two oil shocks of the 1970s with minuscule unemployment. That was regarded by Kreisky – and others – as one of his greatest achievements. The Chancellor, whose early manhood coincided with the great depression, never made any bones about his determination to keep down unemployment, almost whatever the cost.

Inside and outside Austria, the process became known increasingly as the Austrian Model. It depended heavily on close working relations between the "social partners" – management and the trades union leaders.

Possibly the economy was also sheltered by being close to West Germany: the aim was usually to keep the Austrian Schilling in line with the D-Mark.

There was, however, a price to pay. Austria became saddled with a growing budget deficit: there was widespread featherbedding in the state industries, suppressed inflation and difficulties with the current external account. There was also a series of scandals, one of the most notable of them involving young protégé and Minister of Finance, Dr Hannes Androsch, who had to resign in 1981.

Although some of the scandals involved corruption, there was no hint that Kreisky was involved himself. Nevertheless, his later years as Chancellor was neither as happy nor as successful as his earlier ones. He finally left office in 1983 when his party failed to retain its absolute majority in the general election.

The immediate verdict in Austria was that – like Janos Kadar in neighbouring Hungary – he had stayed too long, and in doing so had created problems both for the economy and for his own party. That view is probably correct. For a time the Austrian Model became discredited as Kreisky's successors were left to deal with some of the excesses – for instance, in the state industries – had created.

Bruno Kreisky: gradually grew into a father figure

The former Chancellor was also much criticised in the business community for having given too much time to foreign affairs and seeking an international role for Austria beyond its station. Possibly his sympathy for Arab causes left a residual resentment in some circles.

For the most part, however, Bruno Kreisky continued to be viewed with personal affection. He kept up his work with the Socialist International and his range of international contacts. Historically, he will be seen as the man who did more than any other to bring Austria out of its postwar shell onto a wider stage. The country's approaching membership of the European Community would have been almost unthinkable only 10 years ago.

Europe's cross-border partners increasingly find the protection of a legal umbrella

Tim Dickson looks at the growth of European Economic Interest Groupings

A JOINT venture between small businesses in Belgium, Britain and Ireland to develop the European Community market for technology-based training systems; a Franco/German/Dutch/Italian partnership of economic institutes to pool the benefits of research; and a 14-company European consortium to promote high definition television (HDTV).

These very different projects, announced in the last six weeks, have more than just their transnational character in common. They are all examples of the European Economic Interest Grouping (EEIG) which came into being just over a year ago to provide a legal instrument for facilitating cross-border co-operation in the run-up to 1992.

The EEIG – or GEIE, EESV and EWIV as it is known to acronym addicts in France, the Netherlands and Germany – is designed to allow participants from at least two EC countries to combine some of their activities and develop new ones within a flexible structure freed from the often insuperable obstacles of national law.

Open to companies, firms, partnerships, individuals and bodies "carrying on an economic activity in the EC", the EEIG preserves the economic and legal independence of each of its members' businesses. It is less ambitious than the planned European Company Statute, yet to be agreed by EC governments, which is intended as a vehicle for merging and reorganising companies across national frontiers.

Inspired by the French Groupement d'Intérêt Economique – a vehicle dating from 1967 and used most famously by the European Airbus consortium – the EEIG is helpful as a means of sharing costs and risks rather than sheltering profits from national authorities. In some cases, it can even involve tax drawbacks.

However, interest in the EEIG appears to be picking up. Though it is too early to measure the commercial results, the numbers and variety of ventures are starting to look impressive. The European Commission says about 85 different projects have been established. More than half are in commercial activities like marketing, purchasing and import/export, 12 are in services ranging from audiovisual and transport to professional training and the financial sector, and 14 consist of groupings of professionals like law firms. Only five are so far classified as "industrial".

The list is eclectic, if not eccentric. It features the European office of Soviet car importers; European Procurement Agents, which includes the Crown Agents in the UK and has been set up to supply services to public sector markets; and the Barcelona-based Independent Paint Companies Europe whose aims include research and development and buying raw materials for making industrial paints.

The razzamatazz surrounding the launch in Strasbourg this month of Vision 1250 – two European Commissioners and a host of MEPs were on hand to give their blessing to the HDTV venture, which starts with Ecu12.7m (£8.29m) of support from the EC budget – is welcome in Brussels for the publicity which it gives the EEIG idea.

But the decision of Epic Interactive Media Company of Brighton, UK, Lang Learning Systems of Brussels, and Mentor Training Services of Dublin to set up European Partners in Communication (EPIC) in mid-June is equally encouraging for enthusiasts of the cross-border approach.

Each of these small companies, which together employ fewer than 30 people, is a pioneer of computer-based and interactive video training systems. They count large organisations like IBM, British Telecom, the European Commission, Ford, Volvo, Jaguar and Shell among their clients.

According to Mr Bruce Lang of

THE EUROPEAN MARKET

Lang Learning Systems, the EEIG should enable members to offer an increasingly pan-European support service to customers, as well as co-ordinating some of the activities of a yet to be formed joint company.

"We chose the EEIG structure as a sort of piggyback step so we could announce that we are all working together," he explains. "In our industry there are a lot of small companies and individuals scattered around the continent trying to interest large businesses in technology-based training. We often meet them at conferences but with the EEIG we hope we can offer them a legal umbrella which will provide credibility and utilise a wide range of resources without forcing people to commit equity or put a lot of money up front."

This idea of a European network also inspired the creation of ERECO (European Economic Research and Advisory Consortium), which consists of national economic institutes based in Munich, Paris, Bologna and Rotterdam. The four partners say they have clubbed together "to provide a solid and permanent foundation for their European studies particularly in economic forecasting, sector analysis, market research and regional development". They even claim to offer each other a "global reach" through the members' offices in Montreal, Tokyo and South East Asia.

Books can be filled with the ins and outs of EEIGs – indeed one is hot off the presses any time now* – but there are several key points to be kept in mind.

A grouping is a European legal entity which can enter into contracts, own property in its own name, sue and be sued and be wound up if necessary. It can be used for almost any purpose ancillary to the business and activities of its members, but the activity must be one previously carried on by its members.

Restrictions prohibit an EEIG from being general manager for activities like personnel, finance and investment, from holding shares in a member, from employing more than 500 people (though there is no limit on employment in the member firms) and from being a member of another grouping.

Mr Patrick Kelly, an EEIG expert at London solicitors Laytons, says there are three areas in which the structure is likely to be used: "low risk" agency run businesses like lawyers, accountants, PR companies; "high risk", high value projects such as equipment financing and big construction projects; and "low risk horizontal groupings" within legal groups of European companies which might provide common transport or research and development services on an EC-wide basis.

Among the advantages are flexible forms of funding. Members do not have to put up capital but can finance operations through subscriptions or borrowing. Another attraction is that the liabilities of the grouping can be carried off balance sheet.

An important disadvantage, Mr Kelly points out, is that the EEIG does not easily fit into EC tax systems, an area where – like competition and social policy – it is subject to national laws.

"People are not overly excited about the tax implications," he says, explaining that profits are apportioned to each member and taxed under the rules of the home country. "Nobody is sufficiently confident that the authorities in each country will always accept this arrangement and there are worries that some member states may demand more tax. For low-risk projects such as a group of southern vegetable producers who want to sell their output in northern Europe I would advise that the EEIG act as a broker or agent rather than a principal, so that the profits are made in the hands of the members."

Another drawback is that the participants in a grouping have joint and several liability – the same sort of risk as in a UK partnership. But this is only a disadvantage by comparison with a limited liability company.

******European Economic Interest Groupings, commercial, legal and tax considerations. Jordan and Sons. £35*

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White House backs down over futures

By Peter Riddell, US Editor, in Washington

A COMPROMISE plan to tighten regulation over stock index futures, a hedge on future movements in share prices, now looks likely to go ahead. The Bush Administration has been forced to back down on its proposal to shift jurisdiction from the Commodity Futures Trading Commission (CFTC) to the Securities and Exchange Commission (SEC).

Mr Nicholas Brady, the US Treasury Secretary, has argued for a single regulator, the SEC, over both stocks and stock index futures as he believes they form a single market and split supervision is likely to produce greater volatility.

However, the Chicago-based futures markets and the CFTC, their regulator, mobilised sufficiently strong congressional opposition to Mr Brady's proposal among agricultural and mid-western senators and representatives to make it increasingly unlikely to pass.

The compromise falls well short of a single overall regulator but achieves some of the Treasury's objectives in that the Federal Reserve will be given authority in laying down guidelines for the setting of margins, that is deposits which must be put up for stock index future contracts. The Fed already has that authority over stocks. A complaint has been that differences in margin levels have increased the potential for market volatility, and the Fed will be able to ensure co-ordination of margins in both markets. However, the CFTC will retain overall supervisory responsibility for index futures.

Moreover, the CFTC and the SEC, which have become open rivals, will be required to co-ordinate enforcement, clearance and market-breaking mechanisms.

The proposal would also change the existing law which requires that any financial instrument with an element of a futures contract has to be traded on a futures exchange and regulated by the CFTC. This would now be modified so that new hybrid instruments combining elements of a futures contract and stocks can also be traded on stock exchanges and therefore regulated by the SEC.

The final form of the compromise has yet to be agreed and it is likely to be added on to pending legislation re-authorising the CFTC.

Oil price move could prove turning point for Opec

Iraqi military threats to its neighbours have brought a sudden change of mood, writes Steven Butler

LAST Thursday the Organisation of Petroleum Exporting Countries looked set for another long, gruelling meeting in Geneva before members could agree a production accord for the second half of the year. Mr Issam al-Chalabi, Iraqi Oil Minister, who normally bustles with energy, looked drawn and haggard. He had failed through two sleepless nights to convince other Opec members to lift the Opec reference price to $25 a barrel, but showed no signs of compromise himself.

Venezuela meanwhile was holding out implacably for $20. By midday Friday, however, a compromise was stitched together when all Opec members agreed to $21 a barrel as a target price, to be achieved by restricting Opec production to 22.491m b/d. It was a victory for moderation, although the six-month Opec production accord is a clumsy instrument next to a market which changes gear rapidly. The new strategy also depends on rising demand in order to work, and could be upset by a recession.

But the meeting could mark an historic turning point for Opec. For the past four years Opec has kept oil prices low in a successful effort to regain some market share that it lost in the early 1980s, when it priced itself out of the market. On Friday it turned its efforts to lifting revenues by increasing the oil price.

It also marked the first meeting in years in which there was real conviction that Opec members would stick by commitments to limit oil output to an agreed production quota.

The mood in Opec has shifted suddenly because of Iraqi military threats against Kuwait and the United Arab Emirates, whose violations of Opec quotas drove down world oil prices and encouraged other Opec members to overproduce as well. Iraqi intentions are unknown, but most analysts believe Kuwait and the UAE are unlikely to test them soon.

Kuwait strongly favours low oil prices to stoke demand. It could seek to achieve this as soon as it perceives the threat to it receding. Venezuela – well out of Iraqi bombing range – has also registered strong opposition to high oil prices and could be in position to undermine any accord.

Still, Friday's agreement was the result of a coalition of interests between the most powerful Gulf countries – Saudi Arabia, Iran and Iraq. Most analysts believe this is not a temporary arrangement. Iraq failed to convince other Opec members to move immediately to $25 a barrel, which most felt unrealistic. However it was Iraqi militancy which set the stage for any increase at all.

Opec lifted its target price above $18 a barrel for the first time in four years even though market prices have been $4 below this level for much of the past quarter. Lifting the reference price has no immediate implication for oil markets. This does not mark an official price at which Opec members are bound to sell oil. It indicates a price Opec hopes to achieve by controlling production levels.

World oil stocks are the highest since the early 1980s and analysts are divided over how quickly oil prices will rise following the enormous leap since the start of July. Some expect prices to fall in the near term before turning up by year-end. None the less Opec plainly has the means to achieve $21 if it can muster enough production discipline.

For the first time Opec has set up a formal mechanism linking its oil production ceiling to prices. It has agreed that if in December, when it next meets, the market price for oil is above $21, it will increase both the price and the production ceiling in such a way as to balance the market. The implication is that if the target is missed, production levels will be frozen.

Opec has in a formal sense recognised it is less powerful than the market. It has charged its ministerial Monitoring Committee with responsibility for seeing that oil is not priced so high as to encourage a shift in favour of alternative energy.

It is also trying to match production agreements more closely to market fluctuations. It will set production agreements to run from October to March and from April to September, coinciding roughly with winter and summer demand fluctuations.

Longer-term implications of this shift will take some time to become clear. Opec members, for example, are still split on where they would like to see the price go, though a majority favour only modest increases according to what the market will bear. As always, much will depend on unpredictable political and military developments in the Gulf. And Opec will achieve little if it proves unable once again to maintain discipline.

Fujimori sets out objectives

By Sally Bowen in Lima

The newly inaugurated Fujimori blows out the candles on his birthday cake. He is now 52

IN HIS inaugural speech to the nation as President of Peru, Mr Alberto Fujimori committed his Cambio (change) 90 government to a moralisation crusade. He reiterated his campaign slogan of "honesty, technology and hard work" emphasising the Peruvians should not expect international solidarity but rely largely on themselves to achieve prosperity and development.

Addressing Congress shortly after outgoing president Alan Garcia had been received with insults, booing and a walk out by many right-wing senators and deputies, Mr Fujimori accused the previous government of corruption, fraud and involvement with drugs trafficking. He announced a "committee against corruption" directly responsible to him to bring the guilty to book.

Mr Fujimori described the economy as "chaotic and exhausted." Avoiding any mention of specific measures, which will be announced by the Minister of the Economy over the next couple of weeks, he promised a "rigorous and inflexible attack" on inflation. But the attack will be "pragmatic, without enslaving ourselves to magic or textbook recipes." The recovery of productivity would be based in part on incorporating the vast "informal" sector into the formal economy.

The role of the Peruvian state must change, said Mr Fujimori. He reiterated his pledge not to privatise major state companies, but promised an anti-monopoly law and a genuine social market economy to reduce state intervention.

Mr Fujimori committed his government to re-establish links with the international financial community, and to encourage foreign investment.

Mr Fujimori asked Congress for 180 days of extraordinary legislative powers to push through immediate tax measures to close the growing fiscal deficit and finance a social support programme that the poor will need to protect them from price adjustments.

Iraq's claims put pressure on Kuwait

By Victor Mallet, Middle East Correspondent

KING Hussein of Jordan set off for Iraq and Kuwait yesterday in the latest attempt by an Arab leader to mediate in the dispute between the two countries over oil, money and land.

Kuwait, having yielded to Iraqi demands that it cut oil output to bolster world oil prices, now faces the much sterner test of Baghdad's financial and territorial claims.

The official Iraqi news agency said yesterday that a round of talks which had been expected to take place in Saudi Arabia at the weekend might be postponed for at least a week, and it suggested that Kuwait was to blame.

Kuwait said it was awaiting news from Saudi Arabia on the date of the proposed talks.

President Saddam Hussein of Iraq has reinforced his demands against Kuwait by sending thousands of troops to the disputed border area. With some 1m men under arms, the Iraqi-armed forces are 50 times as large as those of Kuwait.

The ruling al-Sabah family of Kuwait is anxious to associate other Arab states with the negotiations, to avoid being forced into an unfavourable settlement by Mr Saddam.

Iraq, however, favours bilateral talks with the Kuwaitis in Baghdad, and few Arab leaders – least of all King Hussein – are prepared to risk crossing Mr Saddam. Iraqi demands and grievances include:

- Oil policy – Iraq is pressing for obedience to Opec production quotas and higher prices, an issue resolved for the time being by the agreement on a $21 a barrel target price at last week's Opec meeting in Geneva.
- Money – Iraq wants $2.4bn from Kuwait for oil "stolen" from the Rumaila oil field in the disputed border area. It also wants an Arab "Marshall Plan" to help it recover from the Gulf war against Iran, and a figure of $14bn – the amount Mr Saddam says Iraq has been losing annually because of overproduction of oil – has been suggested. Lastly, Iraq wants the Gulf states to write off $35bn of war loans, including $10bn from Kuwait.
- Territory – Iraq wants disputed territory in the border area, including the small part of the Rumaila field in Kuwait, and access to Kuwait's Warbah and Bubiyan islands near the Faw peninsula.

Venezuela brings petrol prices more into line

By Joe Mann in Caracas

VENEZUELA has ordered a modest increase in the domestic prices of petrol and will raise prices further on a monthly basis until the end of the year.

The new prices, rejected by the political opposition and by the Government's own political party, Democratic Action, are in line with the administration's efforts to rationalise the domestic prices of refined petroleum products, which are still far below world prices.

The move also reflected a commitment to the International Monetary Fund, made when the government of President Carlos Andres Perez initiated a three-year Extended Arrangement early last year.

The Government has delayed raising domestic petroleum prices in part because a large increase in February 1989 led to protests and rioting that left around 300 persons dead.

The Government raised the price of high grade petrol by 9 per cent per litre.

However, a recent decline in the value of Venezuela's currency, the bolivar, means that the country's petrol prices – at about $0.24 per US gallon – remain the lowest in the world.

INTERNATIONAL NEWS

Jakarta meeting seeks to revive Cambodia peace process

By Claire Bolderson in Jakarta and Our Foreign Staff

FOREIGN ministers of the Association of South East Asian Nations (ASEAN) and its six major trading partners ended a meeting in Jakarta yesterday committed to revitalising the Cambodian peace process before a controversial decision is taken at the United Nations on who should occupy Cambodia's seat.

Neither the US nor the Asean members (Thailand, Indonesia, Malaysia, Singapore, the Philippines and Brunei) wants to see the matter go to a UN vote and both agreed at the meeting in Jakarta that they supported instead plans for a new Cambodian representative at the UN in the form of a Supreme National Council. This would be made up of selected representatives of the resistance coalition and the government of Cambodia and would govern Cambodia in the run-up to United Nations supervised elections.

The Khmer Rouge said yesterday that it wanted to meet its two allies in the Cambodian guerrilla opposition alliance in Peking on August 8.

A radio statement by the two non-communist members of the alliance said a planned meeting in Paris next week would "probably not materialise." It said the Khmer Rouge and exiled leader Prince Norodom Sihanouk wanted to meet in the Chinese capital instead.

Diplomats in Bangkok said this would make it easy to confer with the guerrillas' most consistent backer, China, as it ponders possible new options in the 11-year conflict.

Meanwhile the Prime Minister of Cambodia, Hun Sen, said it was time to convene the first meeting of a Supreme National Council, as agreed with Prince Sihanouk in Tokyo in June. Further talk among the opposition factions was unnecessary, he added.

The meeting included the US Secretary of State, Mr James Baker, foreign ministers from Japan, Australia, New Zealand, Canada and a representative from the European Community.

In Jakarta little progress was made on the other main issue facing the *foreign ministers – that of the continued* US opposition to the mandatory repatriation of Vietnamese boat people.

Mandatory repatriation of all asylum seekers classed as economic migrants rather than genuine refugees is demanded by the ASEAN countries and Hong Kong, the countries of temporary refuge, under the terms of a United Nations plan for dealing with Vietnamese boat people.

A US attempt to compromise by offering to agree to a new category of returnees called "those who do not object" met with little enthusiasm. ASEAN delegates, while acknowledging that the Americans had shifted position slightly, said it had not gone *far enough and that the ASEAN countries* stood by a statement made last week in which they threatened to stop offering temporary asylum unless mandatory repatriations got under way.

Representatives from the European Community told the Jakarta meeting that the EC was willing to finance a comprehensive regional programme for the repatriation of the boat people.

Under the plan, direct aid would be given to the individual boat people and to the communities to which they return in Vietnam. The proposal is currently being costed and EC representatives said they hoped it could be put into action on a trial basis by the *end of the year.*

US attempts to reassure Hong Kong exporters

By Angus Foster in Hong Kong

MR Robert Mosbacher, US Secretary of Commerce, has tried to allay fears among Hong Kong exporters of growing trade protectionism in the US, fuelled earlier this year by an anti-dumping investigation against Hong Kong knitting manufacturers and by a bill, now passing through Congress, which seeks to limit the growth of textile imports into the US.

Mr Mosbacher, who is visiting Hong Kong on his way to a conference in Singapore, said that although the anti-dumping process was not perfect, it was open and gave the chance of representation to companies accused of dumping.

"Sometimes (the anti-dumping process) has hurt some of our best friends, but on the other hand, we have had the most open market in the US for decades, and we cannot expect people in our country to support a system where goods are sold in the US at a price lower than in their own country, or below cost," he said. He added that the Textiles Import Bill was likely to be vetoed by President Bush.

But Mr Mosbacher is unlikely to have calmed fears among Hong Kong garment exporters who feel the criteria for dumping are unfair and unrealistic. In April the US Commerce Department, in a preliminary finding, accused four Hong Kong companies of dumping manmade fibre sweaters in the US, although two of the companies were later excluded after they were found to have underpriced sweaters by negligible amounts.

Hong Kong's garment manufacturers claim their own domestic market is too small to compare with its major export market and that because US buyers buy in bulk, prices are likely to be lower than smaller orders placed by buyers in other countries.

A final hearing on Hong Kong's case is set for August 9 in front of the International Trade Commission in the US. If the decision goes against Hong Kong, manufacturers in the colony will be subject to a 5.86 per cent anti-dumping charge, calculated by the Commerce Department as the average level of underpricing among Hong Kong exporters.

But Mr Henry Tang, managing director of Peninsular Knitters – not involved in the dumpling allegations – and chairman of the Hong Kong Woollen and Synthetic Knitting Manufacturers Association, said he was hopeful the allegations against Hong Kong could still be overturned.

"We have a strong case. We are not going to roll over and play dead," he said.

According to US figures, the US imported sweaters valued at $208m from Hong Kong last year. But according to the Hong Kong Trade Department, exports to the US in the first five months of this year are down "roughly a third" compared to last year.

Sharon's $13bn housing plan 'threatens inflation'

By Judy Maltz in Jerusalem

ISRAEL'S hawkish housing minister, Mr Ariel Sharon, presented the cabinet yesterday with a $13.5bn five-year programme to provide housing for the wave of Soviet Jewish immigrants expected over the next several years.

Although the cabinet delayed a vote on the programme, Mr Yitzhak Modai, the Finance Minister, has already warned that the huge government spending required would expand Israel's budget deficit significantly, triggering a return to high inflation. Israel's annual inflation rate has stabilised at about 20 per cent over the past five years, *after reaching triple-digit levels* in the early 1980s.

Mr Sharon's request comes on top of the supplementary budget of Shk2.4 billion ($1.2bn) for immigration absorption, presented to the Knesset for approval last week by the finance ministry.

Mr Modai intends to present the cabinet with a less-costly alternative plan on Thursday, which calls for temporarily housing new immigrants in army barracks and other public facilities until new houses are completed. Mr Sharon has proposed instead importing 40,000 prefabricated homes and 50,000 mobile homes over the next two years, at a cost of nearly $1bn. More than 60,000 Soviet immigrants have arrived in Israel since January, and a total of 150,000 are expected this year.

Under the Housing Ministry plan, most construction – an estimated 80,000 building starts a year in each of the next five years – would be undertaken by the public sector. The Treasury, however, favours handing over most of the work to the private sector.

Mr Modai yesterday said he opposed large-scale imports of temporary housing, emphasising that the government's top budget priority should be creating jobs for the new immigrants rather than spending on new housing.

The government would finance increased spending on immigration absorption, he said, by selling off state-owned enterprises and borrowing money abroad.

● *The Israeli army yesterday* closed the office of the leading Palestinian nationalist in the occupied territories, Mr Faisal al-Husseini, saying it was "protecting public safety."

The order came a day after a bomb exploded on a crowded Tel Aviv beach, killing a Canadian teenager and wounding 18 others, and coincides with a general strike in the occupied territories to mark the tenth anniversary of the Israeli annexation of East Jerusalem.

Eight Palestinians were detained yesterday by Israeli police on suspicion of having planned the bombing.

Two new offices opened by Mr al-Husseini were closed under the army order issued yesterday, while a previous order closing down his Arab Study Centre was extended for another year.

Japan may set record for growth

JAPAN'S economy is set to grow steadily for at least another year and break its post-war record for a period of continuous growth, according to Mr Hideyuki Aizawa, head of the country's Economic Planning Agency, Reuter reports from Tokyo.

"The current period of steady economic growth will probably continue for another year or so and become the longest growth period since the end of the war," Mr Aizawa told a seminar of the ruling Liberal Democratic Party. He said that the steady growth was supported by strong con*sumer spending and capital* investment.

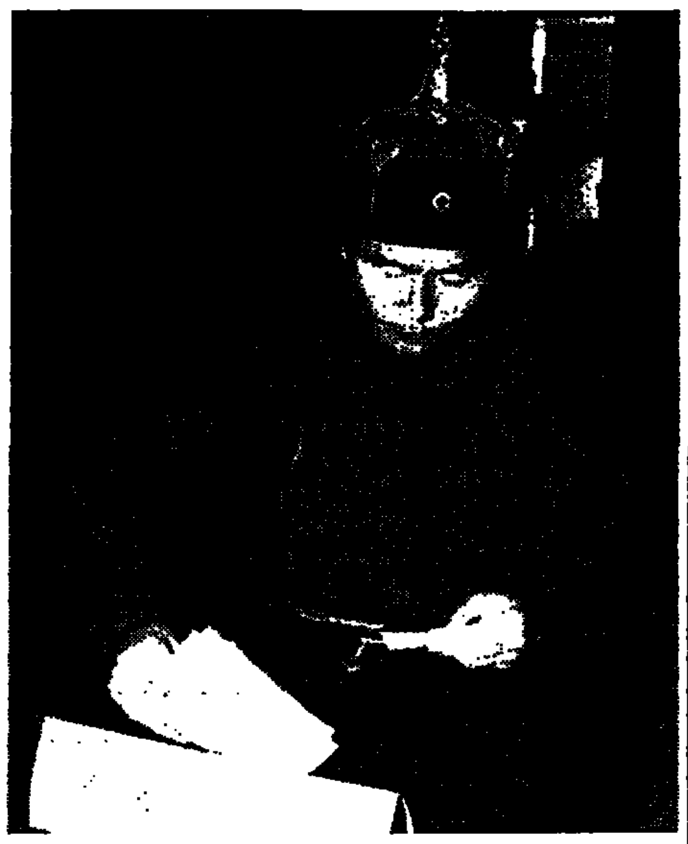
Government figures show Japan's economy expanded in June for the 44th consecutive month – the second-longest period of growth since the Second World War. The record is 57 months in the 1960s.

The EPA had predicted economic growth of four per cent this year, "but I think it will grow faster," Mr Aizawa said.

In a separate session of the seminar held in a mountain resort north of Tokyo, Mr Ryutaro Hashimoto, Finance Minister, said it was the government's responsibility to uphold a strong yen. He said the yen should be kept strong against other currencies to help combat a surge in prices.

Mr Aizawa said that in addition to yen fluctuations, labour shortages and rising oil prices were other concerns affecting consumer and retail prices.

Mongolians relish first free election



Mongolians relished their first free elections in 69 years of communist rule yesterday, with many streaming early to the polls in traditional dress (pictured above). Herdsmen rode long distances on horseback to vote, while ballot boxes were taken to hospitals and to elderly people unable to leave yurts, or tents.

The communists are expected to retain power in the upper house, but risk defeat in the key 53-seat lower house. All parties promised free market reforms and opening to the west. US Secretary of State James Baker is due in Ulan Bator this week.

Sri Lanka privatises bus company

By Mervyn De Silva in Colombo

SRI LANKAN "socialism" – symbolised by the nationalisation 34 years ago of the bus companies hated by the post-independence left – has been put into reverse gear with the privatisation of the island's first nationalised venture, the Bus Transport Board.

BTB was founded in 1956 a week after socialist Mr Solomon Bandaranaike won a general election. He rode on the upper deck of one of the red London buses imported by the bus companies to flaunt their wealth and *declared: "This is journey's end for rapacious capitalism."*

Now half of BTB's shares have been sold to the public and employees. The rest will be sold by December.

Forty-two other state enterprises and 31 "government-owned business undertakings" will also be privatised. These include the Ceylon Oxygen Company (sole manufacturer of industrial gases) textile mills, hotels, printing companies, and a television station.

The privatisation of bus transport, despite strong protests from trade unions and opposition parties, is part of a three-year structural reform programme which was delayed by the year-long Sinhalese youth insurgency that paralysed Colombo and the south last year.

Besides closing down uneconomic enterprises, the programme will reduce a 430,000-strong public service by 25-30 per cent. Already, the number of "ministries" has come down from 45 to 24. The Transport Board had more than 50,000 employees, of whom 7,000 accepted redundancy.

The de-nationalisation policy has activated Colombo's fledgling stock market. The share price index has risen 180 points to more than 300 since June. A leading local broker has claimed that a handful of Hong Kong businessmen have "raided" the Colombo exchange to make a "quick buck" and has called on the government to keep foreigners out. But official policy, as part of the larger International Monetary Fund exercise, is to attract foreign investors.

The nationalisation of the bus companies in 1956 was politically motivated. The "bus magnates" were the chief financiers of the right-wing United National Party in office since independence in 1948. They were thus the pet hate of a vigorous trade union movement controlled by the Marxist parties. Just before the 1956 polls, the bus owners flaunted their wealth by importing a fleet of red London Transport buses.

China rejects UK plan

CHINA at the weekend repeated its rejection of Britain's plan to give passports to key Hong Kong residents – just after Mr Francis Maude, British Foreign Office Minister, concluded a visit to Peking to try to improve relations, Reuter reports from Hong Kong.

The Chinese Foreign Ministry said the British Nationality (Hong Kong) Act 1990 was unacceptable and had unilaterally changed the nationality of Hong Kong Chinese citizens.

Diplomats said the timing of China's statement was crucial.

"I think. . . this has to be considered a setback for Britain over Hong Kong. It's as if Maude's visit and his efforts to explain the passport issue never happened," a western diplomat said.

Mr Maude was the most senior official from the European Community to call on Chinese leaders since high-level contacts were suspended after Peking's bloody crackdown on protest in June last year.

"It's a slap in the face for Maude," said Mr Martin Lee, a prominent local politician and a Hong Kong legislator.

The passport plan, passed into law last week, aims to give about 225,000 people full British citizenship. Britain hopes it will shore up confidence in Hong Kong's future and encourage professional people to stay.

Iran call on hostages

IRAN yesterday welcomed the release of a pro-Iranian Lebanese gunman from a French jail and renewed its call for all western hostages in Lebanon to be freed, Reuter reports.

Deputy Foreign Minister Mr Mahmoud Vaezi told the French ambassador in Tehran that the release of convicted killer Mr Anis Naccache "has had a positive impact on Lebanese Moslem groups."

Mr Naccache, self-styled European spokesman for the Lebanese Hizbollah (Party of God), was freed on Friday after serving 10 years of a life sentence.

He killed a policeman and a bystander in a botched attempt in 1980 on the life of Shapur Bakhtiar, the last prime minister of Iran's late Shah.

The pro-Iranian Hizbollah is believed to be holding most of the 15 Western hostages in Lebanon.

"The Islamic Republic of Iran believes that all hostages from all nationalities including those from Iran must be released as soon as possible merely on humanitarian grounds." IRNA quoted Mr Vaezi as telling French ambassador Mr Christian Graffe.

He added that "all those who can help in this regard should not hesitate in doing so," IRNA reported.

Mr Naccache and four accomplices, all pardoned by President François Mitterrand, were immediately flown to Tehran. Iran played a key role in the release in April of two American hostages. Hopes raised by an IRNA report earlier this month that a western European would soon be freed have not been fulfilled.

China orders tough action over Tibet

CHINESE Communist leader Mr Jiang Zemin, paying the party's highest level visit to Tibet in a decade, has ordered a tough crackdown on the pro-independence movement in the Himalayan region, Reuter reports from Beijing.

"Stabilising the situation" should continue to be the top priority in Tibet, Mr Jiang was quoted as saying by the official New China News Agency on Sunday in a speech to local leaders.

Mr Jiang stressed the need to crack down on separatists "at home and abroad creating disturbances and violating social order."

Tibet has been the most troubled of China's regions since the 1949 revolution. Over the past three years, troops and police have crushed sporadic pro-independence and anti-Chinese demonstrations in the capital Lhasa, killing scores of people.

Martial law was lifted in the city in April after being in force for 13 months. Hundreds of Tibetans are thought still to be in prison.

Mr Mr Jiang, who began an inspection tour of the region on July 20, was the first Communist Party leader to go there since 1980 when the late Mr Hu Yaobang angrily condemned past policies in Tibet and launched wide-ranging reforms.

State television on Sunday showed Mr Jiang inspecting ranks of applauding troops.

In an unusual act for a communist leader, Mr Jiang visited a Buddhist shrine inside the ancient Potala Palace, and clasped his hands in front of a statue of Buddha as a mark of respect. His action seemed more mechanical than devout.

The Potala Palace was the home of the Dalai Lama, Tibet's spiritual leader who fled into exile in 1959 after a failed rebellion against Chinese rule. Still worshipped as a living god in Tibet, he was awarded the Nobel Peace Prize last year.

Mr Jiang's speech, as reported, made no mention of the Dalai Lama or abortive attempts by both sides in recent years to meet for talks on Tibet's future.

Mr Jiang gave no hint China would ease its grip on the region.

Special attention should be paid to education, he said, "to enable students to know from childhood that Tibet is a sacred and inseparable part of the motherland and that without the Communist Party of China, there will be no socialist new Tibet".

Haringey's poll tax bills threatened by injunction

By John Authers and Emma Tucker

MR Chris Patten, Environment Secretary, will today seek a High Court injunction against a charge-capped council. It would prevent the Labour-led London Borough of Haringey from sending out its poll tax bills.

Haringey has accepted Mr Patten's cap on its budget but defied government orders to reduce its poll tax from £573 a head, the highest in Britain, to £508. Mr Patten is to apply for a judicial review of Haringey's decision.

Haringey said it could not lower the poll tax level by the amount required by the DoE because of additional expenses incurred through re-issuing bills after capping and because of a lower collection rate than expected.

Meanwhile, Sheffield City Council is thought to risk running out of cash because too few people are paying poll tax. Sheffield expected to receive £102m after rebates had been taken into consideration, but a city council report due to be discussed tomorrow shows that up to last month only £22.2m had been paid.

The authority's bills amounted to £30.5m, leaving the council in the red by £8.3m.

Councils have greeted with suspicion and confusion government figures on the cost of administering the poll tax. The version of estimated administration costs of the poll tax per head released to the Local Government Chronicle and printed on Friday differed from the figures given to the Financial Times on that day.

The LGC figures showed Liberal Democrat-controlled Richmond upon Thames with a collection cost of £55.27 a head.

Richmond officials said the figure had been supplied to the department in answer to a question form which they considered ambiguous. The correct figure, reached after consultation with the Government, was only £18.79, they said.

The LGC's figures place Tower Hamlets, also controlled by the Liberal Democrats, second, with £54.50, while Labour-controlled Merton council in London has a cost of £25.79.

The figures also tend to estimate administration costs as being around 30p higher than the sums listed by the DoE.

The LGC claims that its figures were taken from the documents placed in the House of Commons library by the Government. The DoE said its data were correct.

The accounting difficulties involved are considerable, as is demonstrated by the four authorities – Vale Royal in Cheshire, Great Yarmouth in Norfolk, Richmondshire in North Yorkshire, and Surrey Heath – which the Government lists as having no expenditure on poll tax at all. The DoE said that, in those cases, the councils had no distinguishable budget to be used exclusively for collecting the poll tax.

Other councils indicated that they were unclear whether the costs of collecting standard community charge – paid on unoccupied second homes – or the uniform business rate, should be included.

POLL TAX

Collection cost per head

MOST EXPENSIVE	
Westminster	£45.05
Ken/Chelsea	£40.93
Broxtowe	£35.24
Harlow	£29.15
Brent	£24.39
LEAST EXPENSIVE	
S Tyneside	£3.69
Brentwood	£5.38
Oadby and Wigston	£5.81
New Forest	£5.88
Scarborough	£5.97

Source: Department of the Environment

Nightclub hostage drama ends peacefully

By Della Bradshaw

A SIEGE at a London nightclub, where an armed man held 100 Saturday night revellers hostage, was brought to an end just after noon yesterday without serious injury to anyone.

The siege, in which a gunman took over the West End *nightclub Tokyo Joe's, ended* when the gunman agreed to give himself up to police after 10 hours of negotiations.

The gunman, described by the police as Arabic, was bleeding from a cut sustained from broken glass and had to be helped up the stairs from the basement nightclub by one of the six remaining hostages. All six hostages were Arab men, police said.

Tokyo Joe's in Piccadilly is popular with visitors from the Middle East. Several Arab VIPs attended the club on Saturday night.

When the lone gunman entered the club at 1.40 yesterday morning he was brandishing a clutch of weapons, including a 12-bore shotgun, a rifle and a bayonet.

He also claimed to have wired an explosive device to his waist, but police described the device as a "sophisticated hoax".

The gunman fired two shots at the ceiling as the 200 or so revellers attempted to flee. Subsequently, 95 hostages either escaped or were released.

At one point the gunman agreed to release two hostages in exchange for smoked salmon sandwiches.

Police described the gunman, in his late 20s or early 30s, as volatile, alternately rational and raving; at which times he shouted and threatened to kill the hostages and himself. Deputy Assistant Commissioner David Meynell, in charge of policing central London, said the gunman drank excessively throughout the siege, and those who escaped said he had been snorting cocaine.

No clear picture emerged as to the motive for the attack. The gunman's demands changed constantly during the day. At one point he demanded a car to take him out of London; later he asked for transport to an airport.

Mr Neil Toro, a club member, said the gunman warned his hostages the "dynamite" would blow up the entire building: "He said: 'I am just going to press the button. That is it. It's finished'."

Miss Christina Broderick, 20, one of the women forced by the gunman to form a human shield around him, said he had a "button on his belt which was connected to electrical wiring and what he claimed was TNT".

She said he had told the hostages he was Lebanese, with an English wife and three children, and had suggested that some of his wife's family were being held hostage in Beirut.

Another hostage, Antonia Roberts, 20, said: "I really thought I was going to die .I still haven't stopped shaking."

The funeral cortege of Joshua Willis, one of three RUC men killed by the IRA in a landmine explosion

RUC has no shortage of recruits

Kieran Cooke on what may be the world's most dangerous police job

OFFICERS of the Royal Ulster Constabulary, dressed in their rifle green uniforms embellished with the Irish harp emblem, stood at attention. The police band played the funeral march as mourners shuffled silently along. The drum, shrouded in black cloth, beat out a slow march.

Reserve Constable Joshua Willis, 35, and father of sons aged four and one, was buried last Thursday at the small hilltop church in the neat, mainly Protestant town of Caledon, Co Tyrone.

Constable Willis was one of three RUC men killed when a 1,000 lb IRA bomb exploded under their unmarked car. A Roman Catholic nun in a nearby car was also killed.

Figures produced by Interpol in the mid 1980s showed that a job in the RUC is the most dangerous police job in the world.

Since the start of "The Troubles" in Northern Ireland in the late 1960s, 273 full-time and police reservists have been killed in the province. This year seven RUC men have died, compared with one dead in the army and six in the Ulster Defence Regiment – and 22 civilians.

In spite of the dangers there is no shortage of recruits for the RUC, with the police authorities often having to sift through 50 or more applications for every job advertised. RUC membership is often a question of family tradition. With unemployment in Northern Ireland still the highest in the UK at 14 per cent, there are also economic incentives to apply for a stable, if dangerous, job.

A remarkable stoicism exists within the force: the dangers are ever present, with even a call to a traffic accident a potential IRA ambush. Yet to a large extent the average RUC officer personifies the old image of the friendly bobby. They might wear flak jackets and often cradle submachine-guns but officers still manage to give an air of nonchalance to their work.

However, the RUC is distrusted in many sections of Northern Ireland's nationalist community.

The RUC grew out of the partition of Ireland in the early 1920s and the old Ireland-wide Royal Irish Constabulary. In the early years of the century RIC men were being ambushed and killed in very similar circumstances to attacks on the RUC today.

Even the old name for the police – the Peelers – is still widely used in Northern Ireland. Many have not forgotten the often brutal behaviour of the RUC in the early days of the civil rights movement, in particular the actions of the now disbanded paramilitary B Specials.

Although the RUC has made efforts to attract recruits from across the community, only about 10 per cent of its members are Roman Catholics. Yet the RUC has often been accused of treachery by Northern Ireland's Protestants, most notably when it took a tough line during the Protestant protests that followed the 1985 signing of the Anglo-Irish Agreement.

The RUC has been transformed in the last 20 years. In 1969 the British Army was ordered into Northern Ireland after it was concluded that the police could no longer deal with the increasing violence. Subsequently the force lost much of its authority.

In 1976 tactics changed with the establishment of "police primacy" or Ulsterisation. A reorganised, well equipped and highly trained RUC proceeded to play the lead role.

The RUC is now the second largest police force in the UK after the Metropolitan police, with 8,260 full-time officers, more than 4,500 reservists and a budget that runs at more than £1m a day.

Business group urges dividing Post Office into eight units

By John Hunt

THE POST OFFICE should be split into eight independent businesses governed by a new regulatory authority in order to halt "a rising tide of consumer dissatisfaction", the Mail Users' Association says in a report today.

The association, which represents 100 business users of the mail service, says financial targets imposed by the Treasury are the reason for the 2p rise for first and second-class stamps due on September 17.

The postal service is described in the report as a "monopoly-protected domestic letters business." Its profits and business have grown rapidly for a decade, and normally that would indicate a successful business with satisfied customers.

"But in reality the opposite is nearer the truth," it says.

In response, the Royal Mail, the letters business of the Post Office, said last night that the association had put forth "a pot-pourri of proposals with Alice in Wonderland timescales."

It said the proposals would be massively disruptive and would seriously jeopardise the service at a time when its quality is showing "a strong upward swing".

The association represents a small proportion of business customers with "special but important needs", the Royal Mail added.

However, Mr Leon Morelli, deputy chairman and chief executive of the association, said its membership included mail service users such as Barclaycard, Readers Digest and the Automobile Association. Members' total expenditure on mail was about £400m a year.

The association wants the the Post Office to be split into eight independent businesses responsible for different aspects of the service, such as delivery, collection and transport.

Under its proposal, a new, independent postal authority would regulate the new companies, agree price levels and supervise standards. The association wants the plan to be implemented within a year, to create "a new playing field on which the customer is king".

A further list of changes would include halving the September price rise and introducing a customer compensation scheme for failures in the service.

WWF to make changes

POLICY AND structural changes are being carried out by the World Wide Fund for nature, the international wildlife charity said yesterday.

At a press conference in London, it said it aimed to decentralise its activities, increase its international co-ordination staff from 100 to 150 and improve support for non-governmental organisations which are its partners, especially in developing nations.

The changes follow a report by Professor John Phillipson, an Oxford zoologist, who, with four researchers, spent more than a year and £80,000 investigating a sample of 72 projects in 26 countries. It suggested that 77 per cent of the projects surveyed had been successful, but added a range of criticisms the WWF said it had tackled or was addressing.

The report indicated flaws in training, supervision and use of local staff; management and evaluation; research, education and awareness programmes for adults; policy creation and implementation and overall management.

The WWF is active in 70 countries and has a turnover of about £100m a year.

Professor attacks Calcutt Report's press proposals

By Raymond Snoddy

THE AUSTRALIAN chairman of a committee setting up a World Association of Press Councils has attacked the Calcutt Committee for "a series of assaults and intimidation" against the free press in the UK.

Professor David Flint, chairman of the Australian Press Council, warned that the Calcutt Committee report on the press and privacy published last month would be cited by authoritarian governments everywhere as an example of how to impose government control of the press.

Prof Flint said: "It is a paradox that, at a time when so many countries are emerging from the darkness of tyranny and beginning to enjoy freedoms, that Britain has known so long, the British Government should be urged to impose such a draconian limitation on freedom of speech."

The Calcutt Report proposed the abolition of the Press Council and its replacement by a Press Complaints Commission.

If the commission does not work effectively, it would in turn be replaced by a statutory tribunal.

New criminal offences of physical invasion of privacy by journalists were also proposed. Prof Flint urged the British Government to exercise great caution and think carefully about the international consequences before implementing some Calcutt recommendations.

Prof Flint argues that the central flaw of the proposals is that the new commission would only deal with complaints and would lose the Press Council's role of defending press freedom.

Prof Flint argues: "It is essential that, in judging complaints against the press and the media generally, the adjudicating body have due regard to these twin concepts."

He adds that the "triggers" that would create a statutory body were weapons aimed at the freedom of the British Press including many "responsible and fearless newspapers whose titles are known and respected throughout the world."

He insists also that adopting the proposals "almost inevitably leads to the creation of a government appointed tribunal."

A draft constitution for a World Association of Press Councils has already been drawn up.

New monetary gauge is urged

By Terry Byland

THE UK economics team at Shearson Lehman Hutton Securities has urged the Bank of England to publish a provisional monthly monetary services index. The team says that such an index is "as close as practical" to an ideal measure of money.

Construction of such a monetary gauge, sometimes called a "divisia index", has recently been considered by the Bank of England. It has been given a low priority as advisers see practical difficulties in devising acceptable weightings for the types of financial assets involved.

In a discussion paper available only to its clients, Shearson, which publishes its own monetary services index, criticises the weighting of existing official conventional aggregates, including the M1 and M3 monetary measures.

Shearson points out that the Bank of England's discussion paper emphasised the difficulties of weighting assets by yields to maturity, which can emphasise long-dated assets, and also of the likely time lags when individuals are slow to adjust asset-holding patterns.

Shearson claims that changes in its simple monetary service index have in the past anticipated important shifts in the direction of nominal gross domestic product when such shifts were not discerned by conventional measures of monetary aggregates.

Tebbitt urges welfare review

MR NORMAN TEBBIT, a former chairman of the Conservative party, yesterday urged the Government to take a "much harder look" at social spending to see if some welfare benefits were actually creating need.

Speaking on BBC Radio 4's The World This Weekend, he said initiative was not necessarily about spending money.

"Spending money doesn't necessarily make a kinder or more caring Britain," he said.

Mr Tebbit said: "I would want to have a much harder look at the effects of our benefits policy, the cash benefits and others, which go to people in need to see whether we are alleviating need, reducing need, or in some ways creating new need by that expenditure."

White paper takes on a muted shade of green

John Hunt on the watered-down draft document setting out the Government's environmental policies

AFTER a year of discussion and political manoeuvring, ministers have agreed a draft of an environmental white paper that is to be published at the end of September. The 300-page document is intended to establish the Government's "green" credentials by setting out its environmental policies up to the end of the century.

The bold proposals originally submitted by the Department of the Environment have been watered down, and Mr Chris Patten, the Environment Secretary, has lost many battles to Mr Cecil Parkinson, the Transport Secretary, Mr John Wakeham, the Energy Secretary, and Mr John Major, the Chancellor.

There is no commitment in the document to the introduction of a carbon tax on fossil fuels such as coal and oil in order to reduce emissions of carbon dioxide, which contributes to global warming.

Such a proposal would only be feasible in the longer term if it were done in co-operation with other countries. To do so unilaterally would raise fuel prices and put British industry at a severe disadvantage with foreign competitors.

The tax was one of the central themes of the Blueprint for a Green Economy by Professor David Pearce of University College, London, who is Mr Patten's adviser on environmental economics.

However, with the possibility of a general election next year, the Treasury was quick to point out the electoral damage that could be caused by a tax that would force up fuel prices.

Similar arguments prevailed when it came to vehicle pollution. The white paper will discuss options for reducing pollutants in exhaust emissions by using tax differentials to discourage the use of large cars. However, controversial proposals for road pricing to cut the number of cars in congested towns are unlikely to be included. Mr Parkinson has made clear that he opposes such schemes.

Plans for a large-scale expansion of public transport will not appear in the document, either.

Environmental organisations are disillusioned. They do not see how the document can fulfil Mrs Thatcher's promise that the white paper would show how the Government would achieve its target of stabilising emissions of carbon dioxide by the year 2005.

"It will flirt and it will titillate but it isn't going to deliver," said Mr Tom Burke, director of the Green Alliance, an umbrella organisation for the green movement.

The notion of a white paper – generally a document proposing legislation before the publication of a bill – was rushed out in a blaze of publicity last year when the Government was under pressure from the rise of the green movement. Confusion arises because the document will actually be a vehicle for discussion. It will set out, often in academic terms, the long-term policy options. Only specific items – such as the scheme for hiving off the troubled Pollution Inspectorate and giving it agency status – could be dealt with before the general election.

Having raised expectations, the Department of the Environment is now anxious to play them down. DoE ministers have gone into a period of purdah reminiscent of the run-up to a budget.

All the same, the situation is not quite as gloomy as some environmentalists believe. There will some items that should make a useful contribution to reducing pollution.

One solution that will be advocated is the introduction of tradable pollution permits similar to those used in the US. Under that system, a regulator sets a ceiling on the amount of pollution allowed for a whole industry. Permits are issued to individual companies for their share of the overall pollution.

The cleaner companies can sell their permits to the dirty ones, thus providing a financial incentive for the worst offenders to improve their performance. Such market-oriented solutions appeal to Mrs Thatcher.

Mr Wakeham has indicated that there will be measures to encourage the conservation of energy. They are expected to include an energy auditing scheme to enable industry to assess energy efficiency.

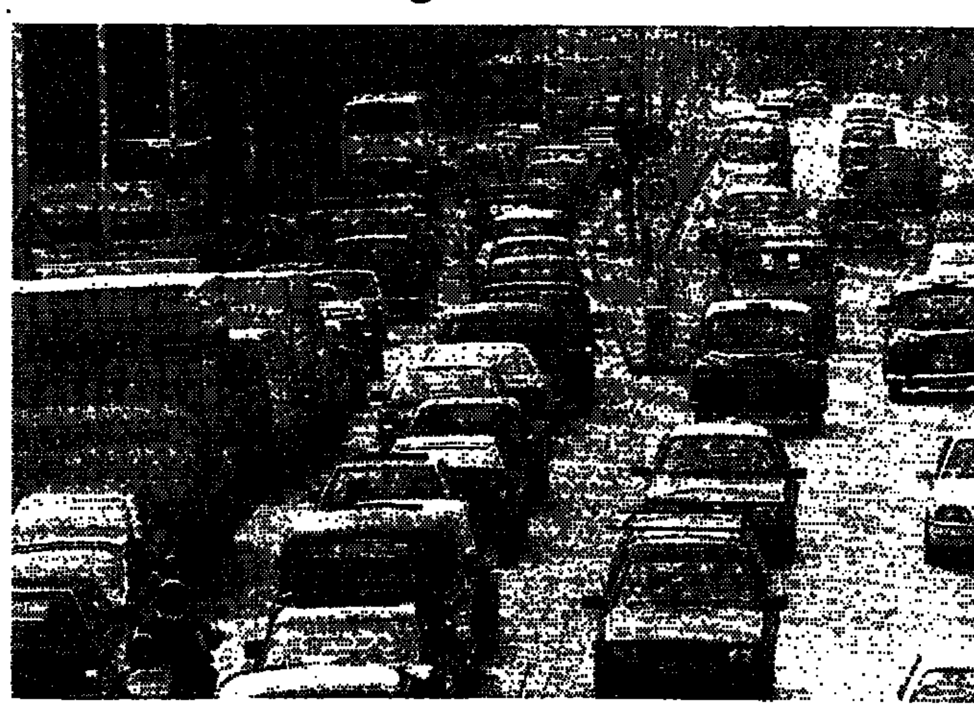
Another likely item is energy labelling, enabling consumers to know the relative efficiency of electrical appliances. Training energy managers to encourage better use of energy in industry – a Japanese idea – is also expected.

"Least cost" planning for industry is unlikely to be included. Under such a scheme, a company proposing a new power plant would have to prove that it was necessary and that the capital involved would not be better employed in energy-saving measures.

Another reject is likely to be proposals of the type urged by the Council for the Protection of Rural England for strict environmental assessments. Under that system, promotors of a new project would have to issue a statement saying what effect it would have on the surrounding area. EC regulations stipulate such statements in some cases, but environmentalists complain the regulations are not being implemented.

The white paper is, however, expected to be very strong on the need to supply full information to encourage individuals to become environmentally conscious and save energy.

It may, environmentalists fear, contain exhortation instead of firm proposals. Mr Andrew Purkis, director of the Council for the Protection of Rural England, said: "We don't get any indication that the white paper is . . . going to be a vision for something new."



Tony Andrews

Controversial proposals to cut traffic in city centres are unlikely to be included

INDUSTRY is increasingly worried about lack of progress in consultations with the Government over implementing new pollution control regulations in the Environment Protection Bill which will become law in October.

The Chemical Industries Association says it has had no meaningful talks with the Pollution Inspectorate which will police the new system of integrated pollution control. Ms Diane Brown, senior environment executive with the association, said: "We are just not getting answers to our questions."

The Confederation of British Industry is unhappy at the lack of progress in discussions between companies and pollution inspectors.

The bill requires industry to use the best available technology not involving excessive cost in order to reduce pollution.

It has been impossible in many cases to agree a precise definition of what that means for a particular process.

Watchdog attacks decline in grant for British Rail

By Emma Tucker

THE DETERIORATION in British Rail's services, highlighted in a report to be published tomorrow, is expected to be the focus of an attack on the Government this week by critics of its transport policy.

The report by the Central Transport Consultative Committee, a Government-appointed watchdog, says government cuts are harming British Rail's services and criticises the lack of long-term planning for the concern.

Major-General Lennox Napier, the committee chairman, expresses concern about "the continual remorseless decline in the support BR receives" and accuses the Government of not giving the railways the subsidy they need to run a proper service.

He said: "The report is a firm encouragement to the Government to come clean on the long-term strategic future of BR and to make firm, clear decisions so we the passengers and BR really know where we are going over the next 10 years."

Neither BR nor the Government would comment yesterday. They said they would have to wait until the report had been published.

The report also warns against any further decline in the public-service obligation grant, a government subsidy to uneconomic routes, saying that the quality and quantity of services would be bound to suffer.

Mr Robert Adley, vice-chairman of the Conservative Transport Committee, yesterday accused Mr Cecil Parkinson, the Transport Secretary, of trying to convert commuter railway services into "a profit centre," something that, he said, could not be achieved.

"The Government is trying to do something which no other government in any other western country is doing or thinking of doing," he said. "The Government's policy will lead to more cancellations, shorter trains, dirtier trains and staff shortages."

He said he was reflecting off-the-record views of senior managers in BR.

Eksund skipper charged

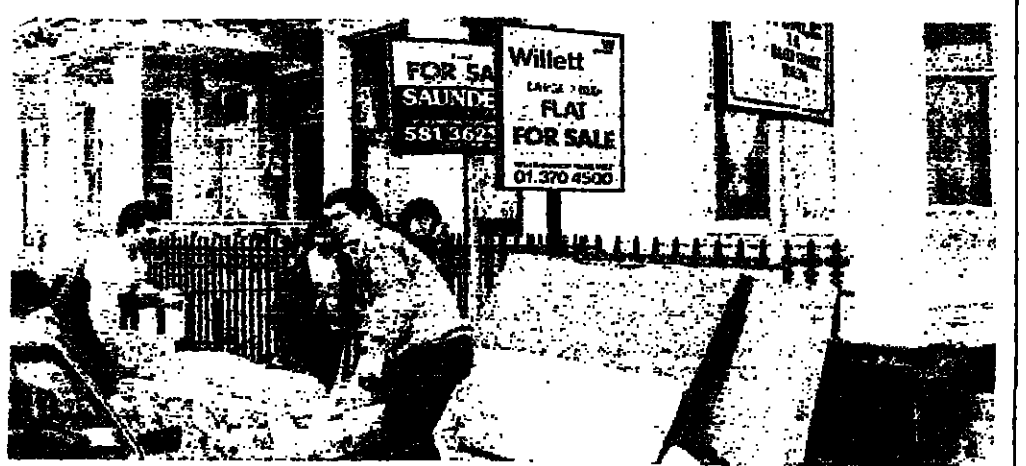
A COURT in the Republic of Ireland has brought charges against a man previously held in France on suspicion of taking part in smuggling arms to the IRA, writes Kieran Cooke.

Mr Adrian Hopkins was arrested with four other Irishmen on board the trawler Eksund, of which he is said to have been the skipper, in French territorial waters in 1987. The ship was carrying 150 tons of guns, ammunition and explosives which authorities later claimed was part of an IRA arsenal.

Late on Saturday night Mr Hopkins was charged in Dublin with illegal possession of firearms and with conspiracy to import arms into Ireland.

Mortgage arrears show steep rise

By David Barchard and Steve Fidler



Moving house: but home ownership is failing to live up to expectations for many

MORTGAGE ARREARS and repossessions have risen dramatically since the beginning of the year, according to a report being prepared by the Building Societies Association.

One group of larger building societies is said to have experienced a 93 per cent increase in repossessions in the first half of this year, compared with the same period in 1989, while six of the top 13 societies reported rises of more than 60 per cent in the number of those two or more months in arrears.

The final figures for the report have not yet been completed, but they are expected to show that debt problems in the housing market are much more serious than has been generally believed until now, and that one in every five home buyers may be experiencing difficulty.

This contrasts strongly with what building societies and other lenders have said on arrears and repossessions until now.

Over the past two years, they have generally claimed that there was little to worry about, with only 14,000 repossessions a year and about 53,000 buyers more than six months in arrears with their repayments.

As recently as last June, Mr Michael Bridgeman, the Building Societies Commissioner, told the industry that the number of arrears cases of more than six months was still small, around 2.25 per cent of total mortgage lending.

Despite this, warning signs have been growing for months with some building society chief executives admitting privately that over 11 per cent of their lending was more than two months overdue.

The Building Societies Commission has been prodding societies for many months to build up their capital to guard against a combination of high interest rates and a slowdown in the housing market.

Early this year, the BSC told societies to make special capital provision for arrears. This is 10 per cent of the value of all loans with accumulated interest that are more than six months in arrears.

The capital requirements for new-style high-risk loans, such as non-status advances, low-start mortgages and equity release schemes were sharply increased.

Many of the new-style loans are believed to have gone during 1989 to mortgage customers who were in difficulties with another lender, usually a bank or a mortgage company, and switched to a new loan on easier terms with a building society.

If mortgage arrears problems are as serious as many lenders believe, they will have implications outside the industry.

According to one mortgage lender, the draft figures suggest between 10 and 20 per cent of mortgage holders are having difficulty meeting their commitments. Those hardest hit are those who bought their houses in the last three years.

The effects on the popularity of a government noted for its encouragement of home ownership could be profound if the situation does not ease before an election.

Bovis and Richardson poised for Europe

By Andrew Taylor, Construction Correspondent

BOVIS, one of Britain's biggest construction groups, and Richardson Developments, one of its largest private development companies are opening offices in Europe.

The moves have been spurred by the prospect from 1992 of free movement of *goods and services* between European Community countries and by the recent easing of political tension and opening of markets in eastern Europe.

Bovis, the construction management arm of P&O group, is launching Bovis Czechoslovakia.

Richardson Developments is making its first foray into international markets by opening an office in Berlin.

The new Bovis company will be based in Prague and will seek construction management contracts throughout Czechoslovakia for civil engineering, commercial developments, refurbishment and urban renewal work.

Bovis already has operations in Europe where it is managing the construction of Euro Disneyland in France.

New Sunday paper to relaunch as a tabloid

By Raymond Snoddy

THE MAIN investors in the Sunday Correspondent have decided to put up new finance to pay for a relaunch of the quality newspaper in late September as a tabloid.

The decision, due to be ratified at a board meeting on Wednesday, means that it is increasingly unlikely that the paper will be closed and rolled into the Independent on Sunday, the paper's rival in the quality Sunday market.

The relaunch could include a significant role for Mr Robert Maxwell, publisher of Mirror Group Newspapers, as a minority shareholder and printer of a colour tabloid version of the quality Sunday launched last September.

The Chicago Tribune, one of the Correspondent's main shareholders, has been in talks with the Independent but is increasingly disillusioned, and unable to reach agreement with Mr Andreas Whittam-Smith, chief executive of the daily newspaper.

The other main investors in the Corespondent are The Guardian newspaper, the Prudential and Globe Investments.

The key role in the attempt to save the Correspondent as an independent title has been played by Sir John Nott, the former Defence Secretary, who was hired as a consultant and adviser to the Sunday Correspondent.

It is believed that Sir John and Mr Nicholas Shott, chief executive of the Correspondent, had talks with Mr Maxwell last week and that a confidential working party has been set up to see how Mirror Group Newspapers could print the tabloid Correspondent.

In return for agreeing to print the paper with the latest technology and to take advantage of Mr Maxwell's expertise in the production of tabloid newspapers, it is believed he would be offered a 7 per cent stake in the venture.

At Wednesday's board meeting, shareholders will be offered an alternative to a relaunch – a fully negotiated deal to sell the Correspondent to the Independent at £7.50 a share, in return for a 15 per cent stake in the Independent.

All the signs last night were that the Chicago Tribune will turn down such a deal and link up with the Guardian in backing the plan for a relaunch, expected to cost between £8m and £10m.

The Sunday Correspondent is selling only 160,000 copies a week and may collapse unless it receives a financial injection.

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Securities houses battle over use of commissions

Richard Waters

A PRICE war has broken out between some of London's leading securities houses over so-called "soft commissions," a fast-expanding and controversial form of broking business.

The battle has prompted allegations of rule-bending against one leading house, Warburg Securities, making it the first test of the new regime to be unveiled today by the Securities and Investments Board to regulate this area of the investment market.

Soft commission arrangements, which involve a broker refunding part of a client's commissions in the form of goods or services, have long attracted criticism from those who believe they are a form of "kickback" to win business.

The latest row has broken out over Warburg's decision to refund up to 83 per cent of commissions to clients in the form of services, as part of a battle to win a larger share of the soft commission market.

This is already estimated to account for anything between 7 and 20 per cent of all commission-bearing broking business in London.

In the language of soft commission brokers, Warburg is using a multiplier of as little as 1.2. In other words, of every £1.20 received in commissions, £1 is used to buy services for the client.

The standard multiplier used by other firms is around 1.8, meaning that 55 per cent of the commission is "refunded."

MANAGEMENT

The building was cleared of its 450 staff in 3 minutes 40 seconds

Fired with efficiency and instant recovery

Michael Dixon explains how Digital Equipment reacted when its UK customer services centre burned down

Coming late from the day's first appointment, Ian Smith, customer services director at the UK headquarters in Reading of US computer group, Digital Equipment, grabbed a telephone. He had no idea an object lesson in crisis management lay at the other end of the line.

His aim was to put back the 11 o'clock meeting with supporting executives at one of the company's offices in Basingstoke, some 20 miles away. But the number just buzzed bleakly for a minute or more.

Whereupon he slammed down the phone. Digital's good name depends on the Basingstoke customer services centre dealing promptly with over a million calls a year. Failing to answer a telephone within seconds is deemed a near-capital offence.

So while driving to the centre, he pondered what the punishment should be. He decided that unless the staff responsible had a good excuse, they would be fired.

Their excuse was that they *already had been. The building* they worked in was burning down.

When electrical wiring overheated in the roof that March Tuesday morning, sod's law ordained that the first chunk of melting insulation fell in the one spot where it could blank out the sprinkler system. The flame raced through the rafters.

The howl of the alarm at 10.15 found Phil Coventry, the facilities manager, in the middle of his monthly meeting with the centre's fire wardens. "It took me a moment or two to convince them I wasn't playing a trick to wind them up," he says. Even so, the building was cleared of its 450 people in 3 minutes 40 seconds.

Excitement soon gave way to shock, and Ian Smith drove up an hour later to see his staff slouched in silent huddles or wandering aimlessly about. The sight convinced him that the immediate need was for directive management. Ordering a round-up of the centre's managers, he went to ask if he could borrow a room in the building next-door.

Although it belonged to its competitor, ICL, the room was straightway supplied. With the fire still spreading, the first crisis-management meeting began. Inside half an hour it adjourned until 2pm, having set priorities for action – one, care for the people; two, get the business back on stream – and had hand-written a one-page decree.

Photocopied by ICL, it told staff to stay safely at hand. A help desk set up in a second Digital building a quarter of a mile away was seeking accommodation for them in other company offices around. The desk also arranged for the handling of incoming calls which British Telecom, a customer, smoothly re-routed as well as sending mobile phones to the site.

Meanwhile Geoff Shingles, Digital's UK managing director, had arrived. After brief discussions, he returned to headquarters, leaving Ian Smith authority to decide whatever must be done. His first use of it was to assure staff they would be compensated for loss of cars and other possessions even if they were not insured.

The crisis team that met at 2pm had been expanded to about 30 people. Besides managers, they included specialists able to contribute to getting the business going again.

"Textbooks would probably say I should have set up a team of about six people reporting to me, with a lower tier of half a dozen reporting to each of them, and so on," Smith says.

"But at times like that a chain of command is too slow. Instead of waiting to be told what to do, people have to be trusted to decide on their own best action, specify it, then get to work. We had a secretary take down what everybody said they'd do. They all did it."

With staff needs largely answered, at 4pm the team was back together listing the business effects of the fire. All paper records kept on the upper storey had gone, and only a few of those left on the ground floor were usable. Also lost were 17 computers with a combined capacity to process 80m instructions a second and remember 50bn characters.

Luckily, since Digital stores most of its data electronically, the fire could hardly have been better timed. The back-up tapes recording the previous week's transactions had been removed from the site for safekeeping the night before.

The 30 met again at 6pm and besides discussing further details, they decided who needed to carry on and who could knock off. When they reassembled on the Wednesday it transpired that none of them had slept. Those not working through the night had lain awake worrying.

By 8am on the Thursday the staff now scattered around seven different buildings were once again using part of the destroyed centre's transplanted computer system. They had access to all the data needed for "do-it-now" work on sales proposals, contracts and so on.

Eight hours later, other subsidiary systems were restored, and at the end of the day £10m worth of quotations had been produced and mailed. Three quarters of operating capacity was back on stream by the Saturday, and the rest came into use during the following week.

Looking back on the swift recovery, Ian Smith happily credits much of it to good fortune.

One example was the entrance turnstiles installed in the burnt building which registered how many people went in. As a result, when the evacuation was ordered only a swift count was needed to establish that everyone was clear.

A second example was the decision Digital made long ago to ensure that every fresh marque of computers it developed would be largely compatible with those produced before. The centre's systems could therefore be put back to work on a patchwork of equipment both new and old.

A third stroke of luck, he says, was that the company has a cohesive culture extending to all branches. It meant that the disoriented staff were made to feel welcome instead of interlopers when they were dispersed to other branches. One office appointed a local mentor to look after each new arrival.

A fourth was the contacts the facilities manager had fostered with local services, including the fire brigade. Even so, steps have been taken to make the liaison more frequent and closer. "If you have a building where special things go on, it's best to make sure people like the fire services know what they are," Phil Coventry says.

Good management also helped in the recovery, and there Smith gives pride of place to his managing director's willingness to empower him to make all necessary decisions. "Although I'd have taken the can if I'd done anything silly, a big risk was involved for him too. I doubt that many chiefs would have delegated so completely.

"As for my own decisions, I'm pleased with opting for a large and loosely structured recovery team. And I'm glad that once we were back in business I put the word around that we still had to meet our budget for the quarter to March 31 – especially since, in the event, we beat it by about £1.5m."

Moreover, now the smoke has cleared, the customer services director sees the fire as in some ways a blessing. One benefit, for instance, is that the practical lessons have been incorporated in a catastrophe-recovery service which Digital is now offering to customers.

"Potentially, though, the biggest benefit lies in the way the crisis gave all 450-odd of us the sense of having a common goal, which isn't usually present in normal circumstances. Even though the staff are still scattered, they seem more of a team than they did beforehand.

"The lesson for managements is that when there's a business crisis, they need to present it to their people as though it was a fire – get it across that what size it is and who caused it are far less important than the fact that there is one. If a way can be found to do that, it'll solve a lot of problems."

The need for master workers

Richard Rose suggests skill shortages are self-perpetuating

The major reason for increasing the demand in the UK for training – a shortage of skilled workers – is also the biggest obstacle.

Increasing the demand for training without increasing the supply of people qualified to train to high standards can multiply the quantity of nominally qualified workers – but only by lowering standards.

The British Government's dual system of vocational training for young people requires much on-the-job training. In West Germany this is possible because there are more than a million workers qualified as masters in industry, artisan trades, sales and office work. Whether a young person is training to be an electronics specialist, a retail clerk or a butcher, there is an adult near at hand who sets an example of good workmanship.

Britain today suffers from the consequence of more than a generation of neglect of training workers. The average manufacturing foreman is likely to have finished his qualification before the electronic revolution, and people supervising workers in offices and shops have not had anything like the level of training common in the rest of Europe.

The Government proclaims that by 1992 every young worker should receive training and in five years' time half should reach Level III in the National Vocational Qualification. Labour has raised the stakes with proposals for a levy on employers which fail to provide sufficient training.

The Confederation of British Industry is promoting a scheme to give training grants to individuals to invest as they think best. None of these proposals to increase demand answers the supply-side question: who will do the training?

The skill shortage in British industry means that a company's present workforce is unlikely to have the capacity to train masses of young recruits. In the absence of adequate on-the-job supervision, young people will be thrown back upon the day-release programmes of technical colleges or similar institutions.

The result of expanding demand without supply is that more young people would simply secure low-level academic qualifications that they failed to obtain at school.

If words have meaning, vocational training should be different from education that schools provide. The National Council on Vocational Qualifications (NCVQ) is committed to this principle; it is accrediting hundreds of vocational qualifications that assess a person's practical capacity to make and do things.

The first priority in raising training standards is to create a cadre of master workers who can take the lead in on-the-job training. The pool of potential trainers consists of employees between the ages of 25 and 50 with an established occupation and experience of it.

To become well qualified, they need further training that promises a tangible pay-off to successful workers and their employers. German experience shows that master workers spend five-sixths of their time contributing to production and one-sixth in training others. They lead by example rather than by acting as a teacher.

Since the European standard for a skilled worker is a British Level IV qualification, on-the-job trainers should attain a standard superior to that. However, the NCVQ has not yet approved any qualifications at this advanced level. It should give urgent attention to this.

The first step a firm can take is to make an inventory of the *skills of its present employees.* The embryonic NCVQ system is intended to be competence-based; it asks people to demonstrate what they can do rather than how many hours of instruction they have received. It is also modular; an individual can pass tests in sequence in order to gain a qualification.

Given the emphasis in British companies upon learning-by-doing, workers should have an easier time passing tests based upon experience than pen-and-pencil tests of more abstract underlying principles.

Secondly, companies must help their partially qualified employees gain the additional skills necessary to become fully qualified masters. To a large extent, training facilities are already at hand in technical colleges, polytechnics, further education colleges, industrial associations and companies. Because the number wanting to upgrade skills would be far fewer than the number of unskilled young workers, organising the training of partially qualified employees should face fewer bottlenecks.

The amount of time required to become qualified as a master worker is much less than that required for an Open University degree.

The more skills an experienced British worker could demonstrate in modular examinations, the faster he or she could qualify.

Part-time study should be normal for qualifying as a master worker, because of the shortage of highly skilled workers in firms and the need to maintain a strong relationship between theory and practice. It also enables a person to earn a wage and make an increasingly valuable contribution to a company while pursuing a qualification.

The cost of tuition can be met from the Government's education budget and the £2.1bn a year that it now spends – with limited effect – on training. Companies should continue paying normal wages while workers will have to invest a lot of time outside normal working hours to attend classes and to learn new skills.

Employees who want to get ahead and find that their employer will not meet the costs of training will have a clear warning: abandon a firm that is stagnating or sinking and get another job. Employers which find that workers do not want to improve themselves will face stark evidence of the costs of past under-investment in human resources.

Paradoxically, the cost to a company becomes greater after an employee becomes fully qualified. Then an individual will expect increased pay, increased status, and increased authority. An employer should willingly give this.

The presence of a small number of master workers can have a multiplier effect within a firm, for they can take the lead in the use of new equipment, identify ways of improving work processes and, by taking the lead in training young workers and adults, slowly but surely contribute to raising the quality of the British labour force.

Professor Richard Rose, of the University of Strathclyde, and Günter Wignanek are the authors of Training without Trainers? How Germany avoids Britain's supply-side bottleneck, published by Anglo-German Foundation, London, £11. ISBN 0 905 492 668.

LEGAL COLUMN

Little to please profession in coming measure on courts

By Robert Rice, Legal Correspondent

PRESSURE on parliamentary time means that the Courts and Legal Services Bill must now wait until the latter half of October before it reaches the statute book. The intention had been that the bill should receive royal assent before Parliament rose for the summer recess.

Now that it has reached report stage in the Commons, however, little scope is left for significant further amendment. What the profession sees now is what it will get, and on two issues at least – rights of audience and conveyancing – what the profession will get promises to be very disappointing.

The bill has survived largely intact. Neither the Bar nor the Law Society can claim to have made much progress in recent months. For all its support at Westminster, the Bar has achieved little by way of changing the fundamental aspects of the bill apart perhaps from a minor victory over the extension of the cab-rank rule.

What has the Law Society achieved? The loss of domestic conveyancing in exchange for some vague prospect of extended rights of audience for solicitors in the higher courts?

The bill has resolved nothing in relation to rights of audience and the society knows it. "Discussions on rights of audience have been much less fruitful [than those on conveyancing]," it wrote in its briefing for the Commons report stage.

"The risk remains that after all the rhetoric of the last two years, the bill will settle very little. Progress on rights of audience could yet be frustrated by the reluctance of the judges to see the Bar's monopoly weakened."

The society has failed to persuade the Government to incorporate into the bill its proposal that solicitors, on admission to the profession, should automatically gain rights of audience in all Crown Court proceedings except contested trials

It has also failed to persuade the Government to change the role of the four senior judges in deciding who should have rights of audience for various different categories of work from a decision-making one to a consultative one.

The bill still provides that the four designated judges will have to "agree" with any proposals for extending solicitors' rights of audience before they can come into effect.

The society is only too aware that the judges, drawn as they are from the ranks of the Bar, will make it as difficult as possible for solicitors to make any significant inroads into the Bar's present monopoly over advocacy in the higher courts.

"Leaving them with a decision-making role risks an unseemly wrangle between the judges and the majority of the legal profession, in which the judges risk being perceived as blocking the will of Parliament," the society says.

It is not at all clear that the judges will be unduly concerned about being seen as blocking the will of Parliament. Indeed, there is every indication that they might take obvious delight in doing so. But the unseemly wrangle that the society envisages seems inevitable.

Any attempt to block extended rights of audience for solicitors will be challenged by judicial review in the High Court. We will then have a farcical situation – of High Court judges (also drawn from the ranks of the Bar) being asked to rule on the reasonableness of decisions made by their senior brethren.

Nothing seems better calculated to reduce the standing of the profession in the eyes of the public.

Who should take the responsibility for this mess? It is hard to blame either of the protagonists for sticking to their guns. The responsibility must rest firmly with the Government.

If, as originally stated, its intention was to give solicitors wider rights of audience as part of its plans to improve access to justice and the way in which legal services are provided, then it should have had the courage to guarantee wider rights of audience for solicitors in the bill. The Government will argue that it has provided a framework within which such issues can be resolved. The truth is that by attempting to walk the tight line between the two factions on this issue it has come up with a framework that will resolve very little.

On the matter of conveyancing, many rank-and-file members of the solicitors' profession will feel that the society has not done enough to fight the clauses in the bill that give banks and building societies the right to offer conveyancing services.

According to Paragon, the annual survey of law firms carried out by the Centre for Interfirm Comparison, conveyancing typically accounts for more than 40 per cent of the total revenue of provincial solicitors and more than 50 per cent for those in rural areas. The bulk of this is domestic conveyancing.

The property market has already turned down sharply with Halifax building society reporting house moves in 1989 down by a third from 1.8m to 1.2m. As a result, Paragon says, many provincial solicitors are already facing a sharp decline in their main source of revenue. By the time the conveyancing market picks up, solicitors will be competing against the might of the financial institutions for conveyancing business.

Who should take responsibility for this mess? It is hard to blame either of the protagonists for sticking to their guns. It must rest firmly with the Government

How many of them will go to the wall remains to be seen, but the consequences for the national network of solicitors' offices and for the provision of legal services across the country are potentially disastrous.

This is not a point that has been entirely lost on the Government in relation to Scotland. There, in a last-minute change of heart, the Government decided to exclude financial institutions from those permitted to offer conveyancing services.

Why, one wonders, has it chosen to ignore the risk in relation to many areas of England and Wales? Was it perhaps that the Law Society did not make a big enough fuss about it early enough? Certainly, it is too late at this stage to hope the Government will change its mind.

When the solicitors' conveyancing monopoly first came under attack in the early 1980s, the society made a great song and dance about it, particularly in its dealings with Parliament. It was all to no avail and the monopoly was swept away.

There was a school of thought at the time, however, that felt that had the society not made quite such a fuss it might have had a more sympathetic hearing. This time, *therefore*, the society determined to take a more softly, softly approach on the reforms.

It is arguable that this approach has been equally unsuccessful. At times it has seemed that the profession was alarmed that the society did not appear to be doing enough to persuade Parliament of its case.

Whether a more aggressive approach would have made any difference we shall never know. What we can be sure of is that the society, and solicitors in general, seems to have little to show for its efforts over the past two years.

It is tempting to say that the profession was on a hiding to nothing, anyway, but the Bar at least has emerged as a fitter and leaner organisation, more capable of facing up to the challenges of the 1990s.

The Bar will say that change was in the wind, anyway. Fair enough, but the bill and the whole debate on legal services and the structure of the profession has hastened such reforms as the library system, the funding of pupillage, the introduction of continuing education, the drive to attract international work, direct access, the formation of specialist associations and even advertising.

Too much has been made of the prediction that the bill would sound the death knell of the independent Bar. In time it may disappear, but it is not going to happen overnight.

The truth is that the Bar can look to the future with a certain degree of optimism – which is more than can be said for a great many solicitors.

ARCHITECTURE

Building bricks in the great debate

Colin Amery leafs through some recent publications

TRAVEL, READING and looking at architecture, combined with appropriate quantities of good food and wine, make for the best kind of summer. It is a time to forget the debates and the depressing antics that go on around the edge of architecture; time to search for quality. Architects are inveterate tourists but too often they seem to carry too much baggage with them. To help the eye-opening process the publishing industry has been hyper-active in its production of architectural books.

This year there is a lot of attention being devoted to the newly rediscovered and thriving hive of Glasgow. The official designation of the city as European City of Culture 1990 must have helped the new official awareness of the quality of its built environment. Suddenly Charles Rennie Mackintosh is king of the city – and it is the same city that was once prepared to ignore, and even destroy, his work.

All the recognised experts on Mackintosh have combined forces to produce a volume of Mackintosh's own little-known thoughts on architecture, *Charles Rennie Mackintosh, The Architectural Papers*, edited by Pamela Robertson and published by White Cockade Publishing in association with the Hunterian Art Gallery, University of Glasgow, (£15.95, 240 pages).

Mackintosh's writings are few and sometimes greatly influenced by the heavy Ruskinite air that he breathed. But they are fascinating because he was not afraid to talk about the need for artistic independence, but it is an independence only to be enjoyed alongside a parallel respect for tradition, the vernacular and local influences. I like his courage in writing about "seemliness," what constitutes good and bad taste, and his awareness of the dangers of fame.

There are six lectures and a diary of Italian travels and several previously unpublished drawings. He comes across as a thoroughbred artist in every aspect and he has been well served by the interpretative essays of Frank Arnel Walker on Mackintosh and the Scottish Baronial style; Pamela Robertson on his Italian travels; James Macaulay on the fascinating influence of Elizabethan architecture; and David Walker and Robert Macleod on Mackintosh's own thoughts and writings. I liked the presentation of this book, which is produced by a new small publisher who wants to concentrate on architectural and design history. It is also encouraging to note that the book is sponsored by an architectural firm, SBT Keppie, the firm that incorporated Mackintosh's old firm of Honeyman and Keppie.

Serious study of Mackintosh and the publishing of original material is a useful antidote to the superficial application of Mackintoshiana on so much of the new commercial architecture in Glasgow. It will be fascinating to see the "House for an Art Lover" that is being built in Bellahouston Park, Glasgow – a competition design from 1901 that was not built. Can the quality of Mackintosh's original thought be built from drawings 90 years later? We shall see in September.

Anyone visiting the city of Glasgow during its cultural renaissance year should have under his arm the recently published Pevsner, *The Buildings of Scotland, Glasgow*, by Elizabeth Williamson, Anne Riches and Malcolm Higgs, published by Penguin Books in association with the National Trust for Scotland (£20, 700 pages). This book is incredible value because it deals comprehensively for the first time with the architecture of the entire city and to walk with this volume is like walking along with three scholarly friends. The city that is endowed not just with Mackintosh, but an intact 19th century "merchant city" of remarkable quality and the ever glorious work of that true genius Alexander "Greek" Thomson.

For quiet summer reading under the cedars in the garden of your Georgian rectory, there is the perfect book, *Life in the Georgian City*, by Dan Cruickshank and Neil Burton (Viking, £25, 288 pages). If you are, as these two authors are, completely fascinated by the accurate historical detail of how people lived everyday lives in 18th-century cities, then this is your book. It *should really have been called* "Life in the Georgian London house," because that is the subject of much of the book.

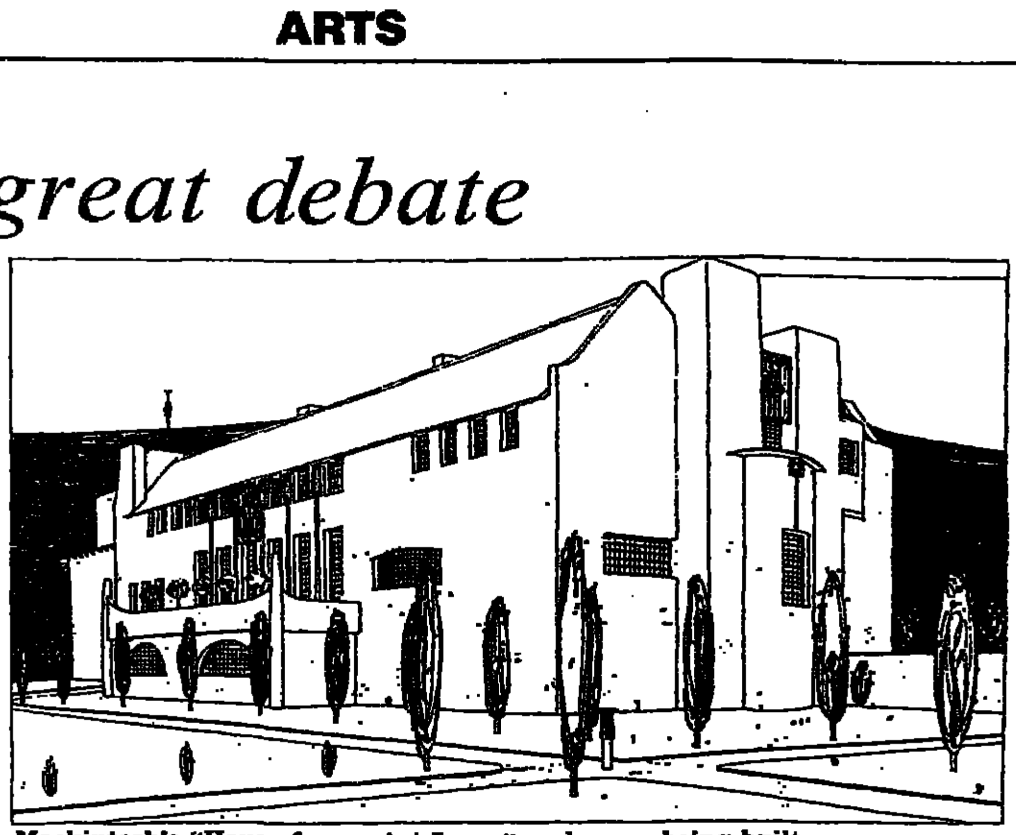
The detailed case studies are, in fact, of Mr Cruickshank's own house in Spitalfields and Mr Cruickshank's offices in London's Queen Anne's Gate. He has an intimate, almost obsessive knowledge of the detail of construction of London's standard Georgian houses. The great pleasure of this book is that it adds to the architectural detail a significant quantity of original research about how life was lived. Domestic rituals – breakfast, dinner, supper and the rest – are all described from contemporary accounts.

There is also a great deal of new information about areas of life that often inspire curious questions, usually unanswered. All the plumbing is described *in detail, for example*, as is the collection of "night soil" and the location of cesspits and privies. In the same way that Saint-Simon's detailed diaries revealed all about life with Louis XIV at Versailles, these authors give equal coverage to elegance and odours. The result is undoubtedly one of the best books on life in the 18th century London house to have been written. It is also beautifully illustrated.

In parallel to this book I enjoyed reading *Bedford Square: an architectural study*, by Andrew Byrne (Athlone Press, £35, 166 pages) which is an elegant study of one of the finest Georgian Squares in the world. It is a poignant book about the residents and the houses of a square that is now tragically occupied largely by word processors, computers and telephones in the day time and by shadows at night.

Our search for architectural enlightenment should probably go beyond the disposal of the night soil of Georgian London, and in this season's crop of new books architectural theory is much in evidence. *Modernity and the Classical Tradition*, by Alan Colquhoun (£22.50, 268 pages), is a collection of thoughtful essays by one of the very few practising British architects, who makes a useful contribution to the academic debate. It may initially appear rather daunting, particularly three more essays on Le Corbusier, but it sheds a deal of light on the reasons for contemporary architecture being the way it is.

Places of the Soul, by Christopher Day (Thorson, £12.95,192 pages) is a good challenge to the kind of thinking embodied by Professor Colquhoun and so many architectural schools. This architect author has rejected most modern theory and feels that nature, architecture and the spirit should all work more closely together. Although the influence of Rudolph Steiner is strong here, particularly when it comes to the healing properties of shapes and colours and the power of natural geometry, this gentle book offers a route out of the nightmare of so much callous modern construction. I was inspired.



Mackintosh's "House for an Art Lover", only now being built

CBPO/Rattle

ALBERT HALL, RADIO 3

In the interval talk of the Prom relay on Saturday the composer, John Adams, observed that he might be said to display two personalities in his music: one serious, the other engagingly described as the "confrontational, wacky, trickster, vernacular" Adams. A shame that he did not tell us which side of his dual personality is dominant in the piece we were about to hear.

Adams's *Harmonium* for chorus and orchestra was first performed in 1981. Ostensibly the work is a setting of American poets, though its layout in contrasting movements almost makes it feel like a choral symphony, if such a thing is conceivable for a composer as close in his ties to the minimalists as the American Adams. At the very least it brought to mind an orchestral score on the lines of Debussy's *Nocturnes*. It is difficult to believe there is anything of the "trickster" Adams lurking behind its pages.

The great beauty of *Harmonium* is the way it sets out its ideas openly and honestly so that each new sound seems to arrive in spacious surroundings, a style of composition that shows impeccable discrimination in the placing of every harmony or wisp of melody. The opening of the second section, for example, was pure enchantment: dark words by Emily Dickinson intoned by the City of Birmingham Symphony Chorus and Simon Halsey Singers over the sombre throbbing of lower strings, haunting in its veiled colours. Elsewhere Debussy-like siren voices called over glittering orchestral textures. Let us hope they lure more conductors to the piece, for it is a major work and deserves to be heard again.

Appropriately enough the Adams was introduced by Debussy's own Rhapsody for clarinet and orchestra, played with due sensuality by Colin Parr and supported by the same rich and atmospheric sounds that Simon Rattle and the City of Birmingham Symphony Orchestra brought to their recent all-Debussy orchestral disc.

In the first half a light bulb fell on to the platform with an explosive crash, but that was really the only sense in which this performance of Brahms's Fourth Symphony could claim to be called electrifying.

Rattle's Brahms is measured, with proper concern for weight and density of sound, but the sense of a performance in which every note matters, so memorably achieved by conductors like Sanderling and Jochum, as yet eludes him.

Richard Fairman

BBC Philharmonic Orchestra

ALBERT HALL, RADIO 3

For those who are unable to get out in the summer the Promenade season must come as an enormous boon. A day spent inside while everybody else is able to enjoy the fine weather can only look a more attractive prospect when one knows that the evening will bring a live Prom on the radio.

Stricken by a virulent summer 'flu, I decided to listen to last night's concert on Radio 3. The quality of relay that the BBC obtains from the Albert Hall has always been good and the sound in the opening item, Elgar's transcription for orchestra of the Fantasia and Fugue in C Minor by Bach, was in the best tradition of the house, splendidly ample and free, without losing an excessive amount of detail.

In the Wesendonck Lieder a most effective position in the aural spectrum had also been found for the soloist, Delores Ziegler. Although this American mezzo has made her name primarily in Mozart operas, the voice seems to admit no shortfall in stamina or amplitude when it comes to Wagner.

The words might count for more, but her singing of the whole cycle was distinguished by a wide range of colour, gloriously so in the final "Träume". There were only a couple of climaxes where Edward Downes and the BBC Philharmonic Orchestra drowned her, though it would have been preferable to hear how the balance really was in the hall.

The main work on the programme was Elgar's Second Symphony, a favourite of this conductor and orchestra. Downes offers good sense Elgar, purposeful and strongly defined, rarely stolid in what is mistakenly thought to be the English tradition.

There is an argument for pushing the opening movement of this symphony along with more speed, as is done in the electrifying early recording by Boult, to be reissued on CD next month. But Downes has his own way with the score, choosing comfortable speeds at which articulation will be clear and then digging into the music.

The central episode of the scherzo, an unleashing of awesome forces, was as terrifying as I can recall.

Richard Fairman

BOOK REVIEW

Soviet Choreographers in the 1920s

Meyerhold's theatre, Eisenstein's films, Tatlin's monument to the Third International: these icons of their time make it all too easy to consider the early Soviet avant-garde as cut from whole cloth – fresh, unconventional, provocative. But in reality the arts were not equal in the revolution's eyes, and ballet, burdened with an elitist image and the strongest ties to the monarchy, adjusted to the changing world with difficulty. Elizabeth Souritz recounts that change in *Soviet Choreographers in the 1920s*, a translation into English of a study published in Moscow in 1979.

In this book Madame Souritz draws on a tradition of historiography familiar from Alexandre Pleshcheyev's *Our Ballet*, a late-imperial chronicle devoted primarily to the official ballet in St Petersburg. In both accounts a business-like, dignified approach – dates, biography, scenarios, public response – masks in its simplicity a profound erudition and sympathy for the topic.

Souritz's cast of characters is large, her repertoire exten- sive and the conditions she describes – in which ballet survived the first years of the new regime – daunting. She deals with names familiar in the west, such as Fokine and Balanchine, and with little-known Soviet figures as well, all in passing to reach the three choreographers to which she devotes the most attention: Alexandre Gorsky, who modernised the old and worked best with narrative, Hasayan Goleizovsky, who rejected the old and favoured a "mirage-like illusion of phenomena" sometimes tinged with the erotic, and Fyodor Lopukhov, who preserved the old, maintained a classical basis in his new choreography and sought the close interpretation of a musical score in dance.

SOVIET CHOREOGRAPHERS IN THE 1920s
by Elizabeth Souritz, translated by Lynn Visson
Duke Univ.Press & London Dance Boks $29.95, 356 pages

In the few years left to him after 1918 Gorsky was *vieux-genre*, like Fokine venerable, but important mostly as a transition figure whose work opened the way for later developments. Goleizovsky was the most intriguing for his rejection of plain logic, his ability "to see the soul of a thing under the covering in which it appears to everyone," and the propensity of his ballets to project meanings beyond the limits he set for them. Hints of spirituality may be detected in the visionary quality of his work, in the story of "Joseph the Beautiful" and in the duet called "Prologue", based on Lermontov's *Angel*, a poem in which moon and stars hearken to the angelic song.

Lopukhov is least problematical of the three, turning to folklore and ethnicity after his grandiose symphonic ballet had failed. Were it not for the gratuitous absurdities which find their way into his work one could imagine his ideas being accepted sooner and more vigorously than they were.

The fate of these choreographers is largely one of heroic failure and vexing non-fulfilment, their paths barred by physical and philosophical obstacles which Souritz's data substantiate. Of the obstacles, the awful privation of the first years was perhaps least damaging in the long term. The central problem is one that Richard Wagner had identified in *Opera and Drama* 70 years before: the goal of art, and the means by which it is to be achieved, were being confused. But Wagner kept his eye upon the end as he condemned the means, while early Soviet critics so concentrated on faulting the means that they never clearly identified the goal.

At a time when new language was the mark of revolutionary art, ballet was caught between a classical vocabulary too readily associated with the old order and alternatives which risked indictment for being obscure or dilettante. Moreover, the emergent *Gesamtkunstwerk*, in which dance co-mingled with the newest experiments of the visual arts, was still anachronistic with respect to music, if Medtner and Scriabin – to say nothing of Grieg, Bizet and Schubert – were at the cutting edge.

This pervasive disjunction evades Souritz. Indeed, she omits mention of the one score from the period that most western readers would know – Alexandre Mosolov's *Iron Foundry*, initially commissioned by the Bolshoy Theatre for a ballet called *Steel*.

Soviet Choreographers in the 1920s is handsomely illustrated; a spot check reveals the translation to be clear and fluent, if occasionally unidiomatic in English. As prose, the book demands its reader's close attention. In addition, western readers may feel shortchanged by the supplemental footnotes, which fall well short of providing the background that Souritz surely expected her original audience to have.

In the end, political cataclysm did not sweep away the legacy of the world it replaced, as its synthetic call for the new could not be answered without that transfiguration of remembrance which lies at the heart of innovation. At one point Souritz concedes that evolution, not revolution, ultimately showed the way. In the closing pages she even attributes to Lopukhov, only half in jest, the slogan "Forward, together with Petipa!"

One wonders what Lenin would have thought about that.

Roland John Wiley

Julia Fordham

SADLERS WELLS

Julia Fordham brought her gang to London on Saturday night and a fairly good time was had by all. The star pretended to be shocked by the daring fans who shouted out their love or requests – "I don't know why I put up with you" – but really she is a jolly captain of games and we are her adoring admirers.

There is much to appreciate. Her voice is strong and sensitive, with a tremor in it recalling Joni Mitchell in her more gushing periods; her songs dwell relentlessly on love, its downs as much as its ups, but from a quirky, unrelenting angle. She has a five piece band who give her some oomph without detracting from her upfront image. Her appeal lies mainly in her personal mystery – this pretty blonde with a wide smile and a reassuring middle class accent hints at sexual ambiguity. This tantalising tightrope adds a frisson to what would otherwise be just another young singer-songwriter wearing her heart on her guitar case.

Her audience is just as unplaceable. Young couples of every sex and sharing bedsitter dreamland and CD-land. They are with her all the way, a way that seems to be leading from a cult following to a more commercial stance. She brought Jeffrey Williams to join her in two songs that are aimed at the charts and her latest material has wider horizons than the minutiae of battered relationships.

Julia Fordham has been spotted; she is being groomed; her personality may be best suited to present Blue Peter, but her voice is directing her towards the stars. Soon the questions must be answered, the decisions made. This weekend a teasing Julia Fordham could still hint at forbidden fruits, but the future looks like a career in cabaret, even on Blankety Blank.

Antony Thorncroft

WNO plans three new productions

The Welsh National Opera is planning new productions of *La Fanciulla del West*, *Count Ory* and *Rigoletto* for its spring and summer season of 1991.

Aidan Lang will produce Rossini's *Count Ory* and the cast will include Peter Savidge, Peter Rose and Janice Watson, conducted by Carlo Rizzi. *Ory* wil be sung in English, but Puccini's *La Fanciulla del West*, a co-production with L'Opera de Nice, will be sung in Italian and directed by the Romanian, Petrika Ionesco. *Rigoletto* will also be sung in Italian.

The spring season also sees a revival of Goran Jarvefelt's production of *La Traviata*, and Andre Engle's production of Strauss's *Salome* as well as his new production of *Carmen*, which opens this September, continuing to the 1991 season.

Architecture in India

"IT MIGHT well be a *yupa*," writes Christopher Tadgell about a particularly dodgy Buddhist excavation in an early chapter of *The History of Architecture in India*, which he dubs an "introductory synthesis." This is definitely *not* an introduction for the unknowing, but a state-of-the- art summary, an erudite reference book for students in the field.

The discourse of Indian architecture has festered for a century under the long shadow of James Fergusson's *History of Indian and Eastern Architecture* and its later apologists. This view was eloquently debunked by Thomas R Metcalf in his recent book *An Imperial Vision*. In the present volume, Christopher Tadgell has taken care not to follow the typology of "Buddhist," "Hindu" and "Islamic" architecture proposed by Fergusson in the spirit of Victorian religious determinism.

Instead, he constructs a methodology of dynastic histories in tracing the very complex chronology of architectural development and cross-influences on the subcontinent. This is the democratic method of contemporary Indian architectural scholarship: there is no overriding view of great classical achieve*ments and periods of decline*, beloved of the Victorians.

Tadgell does not foreground any one period of Indian history at the expense of another. The great medieval achievements of the Chandellas at Khajuraho are clearly placed in the context of other builders of the period. Southern architecture is accorded as much importance as Northern temple styles, secular as much as religious building.

Tadgell concentrates very strictly on architectural analysis and description, which is rather problematic in terms of the amazing synthesis between architecture and sculpture that is the Indian achievement. There is little description of figurative sculpture but the strictness of methodology allows Tadgell on the one hand to avoid the heavily symbolic interpretations of scholars such as Stella Kramrisch and John Irwin, or on the other hand the convoluted iconographical listings beloved of Indian scholars.

Tadgell's main concession to symbolism is a fondness for "water cosmology" – and the book is by no means dry. His main area of research is French classical architecture, and he writes about India with verve and enthusiasm which speeds one through the history, even though the language is very technical.

The early chapters of the history when Tadgell is required to examine the underlying religious aspects of Indian pre-history are the least successful. For the rest, the book is very thorough, clear and unbiassed with many unusual illustrations and useful sections if not quite enough plans and maps.

THE HISTORY OF ARCHITECTURE IN INDIA
by Christopher Tadgell
Architecture, Design and Technology Press £65.

The dynastic history of patronage becomes more explicit when Tadgell deals with the period of Muslim invasions and influence. Here again, the provision of a rich context of regional variants serves to enrich one's grasp of the great Mughal achievements. He is particularly good in tracing the historical influences on Mughul architecture and he illuminates the Indian passion for elaborating palaces and building new capital cities.

Inevitably the chapter on "Lake India," which covers an enormous range of styles and types of building, is rather sketchy. This is an area where there has been a lot of recent scholarship of a very detailed kind. Tadgell is generous in his acknowledgement of other scholars, and illustrates controversial datings and issues wherever possible in the footnotes.

However, this is strictly a formal chronology, in no way a speculative history open to social readings in the spirit of European "new art history." Rather, it represents what might be called "the new encyclopaedist" approach in its attempt at uninflected analysis.

Deanna Petherbridge

ARTS GUIDE

July 27-August 2

MUSIC

London

Mel Torme. With the John Dankworth Trio. Barbican Hall (Thur) (638 8891).

Paris

Nash Ensemble. Haydn, Franck, Ravel (Mon). Auditorium des Halles.
Quatuor Anton. Schubert. S. Cubaidulina, Mozart (Tue). Auditorium des Halles.
Agnes Mellon, Monique Zanetti (sopranos), Kaori Uemura (viola da gamba), Christophe Rousset (organ). Couperin (Wed).
Musica Treize conducted by Roland Hayrabedian. Ohana, Berio,Xenakis, Nono (Thur). Nôtre-Dame du Travail, 59 rueVercingetorix, Metro Pernety (48049801, answering machine in English - 47208898).

La Roque-d'Antheron

Piano festival including all Beethoven's sonatas. Concerts by Nikita Magaloff, Kenneth Gilbert, Nelson Freire, Gulda, Oppitz, Orozco, Bachkirov and with Brueggen, Herreweghe as conductors. August 1-23 (40411127).

Brussels

Festival Midis-Minimes: Jazz and classical lunchtime concerts at Eglise Saints Jean et Etienne Minimes.
Summer festival: Brussels Festival Orchestra conducted by Robert Janssens with Greta de Reyghere (soprano), Claude Massoz (baritone), World Youth Choir '90 conducted by Denis Menier. Brahms's German Requiem (Fri). Cathedrale Saint Michel, Parvis Sainte Gudule.
Festival of Flanders. Bruges, St Walburgakerk. New College Choir Oxford, The King's Consort conducted by Edward Higginbottom. Monteverdi's Vespro della Beata Vergine (Sat) (050/44 86 86.
Bruges, St Jakobskerk. The King's Consort conducted by Robert King with James Bowman (counter-tenor). Italian Baroque Music. (Sun). Capilla Vocal Al Ayre Espanol and Mateus and Eduardo Lopez-Banzo Instrumental Ensemble. 18th Century Spanish music (Mon) (050/44 86 86).

Weimar

Cultural Festival (July 16-Aug 11): Weimar, the centre of German classical culture, is staging the first pan-German festival, profits from which will go towards reconstruction of the city. The festival is directed by Karl Steff-Wolfsjaeger and staged in the original houses of Goethe, Schiller, Liszt and Bach, who are the central themes of the four-week event. Among the artists appearing are Eva Lind, Alan Titus and the Bavarian Radio Orchestra, under Ralf Weikert, Rudolf Buchbidner, Barry Douglas, Alexis Weissenberg, Will Quadflieg, Helmut Lohner and the Weimar Theatre Ensemble (0228/693969; fax 695156).

Schleswig Holstein Festival

This year's 5th Schleswig Holstein festival, initiated and directed by Justus Frantz is an important event for this region and has been enlarged to nearly 180 concerts in 32 different venues. World class musicians will be performing in towns and villages from Flensburg in the north to Lueneburg in the south. There will also be master classes. The festival's own orchestra, with 120 members from 22 different countries, will train throughout the summer in Salzau with five different conductors - Sir Georg Solti, Christoph Eschenbach, Jiri Beloblavak, Paavo Berglund and Semyon Bychko - and will be performing 10 concerts during this festival. Soloists include Alban Berg Quartet, Igor Oistrach, Natalia Gutman: Boris Pergamenschikow, Heinrich Schiff, Olaf Baer, Dietrich Fischer-Dieskau, Hermann Prey, Peter Schreier, Arleen Auger, Christa Ludwig, Rudolf Buchbinder, Barry Douglas: Katia and Martelle Labeque, Murray Perahia and James Galway. The programme ranges from Bach to Beethoven, Brahms to Bruckner, Mahler to Mozart, Tchaikovsky to contemporary composers. Until August 19. Information: Kartenzentrale Schleswig Holstein Musik Festival Postfach 3840, 2300 Kiel Tel (0431) 567080.

Barcelona

Grec 90: This outdoor festival, mainly staged in Barcelona's Greek theatre, is coming to an end. The Quartet Barroc will be playing Vivaldi,J.S. Bach, Oliver y Astorga on Tuesday. Placa del Rei (318 25 25).

Ravenna

Ravenna festival. Ends July 31, with Ann Murray, Carol Vaness, Samuel Ramey and Gosta Winbergh singing arias from three Mozart operas accompanied by pianist Robert Kettelson (Tues) (32577).

Siena

Festival Incontri in Terra di Siena. Chamber music concerts organised by cellist grandson of the novelist Iris Origo in and around the family home at La Foce. Ends August 4. (0578 64050).

New York

Mostly Mozart Festival. The Classical Band conducted by Trevor Pinnock, with Lowell Greer (horn), play Schubert and Mozart. Mostly Mozart Festival Orchestra conducted by Gerard Schwarz with Itzhak Perlman (violin) play Mozart and Schubert. Cleveland String Quartet in a programme of Mozart and Schubert (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

Washington

National Symphony Orchestra conducted by Randall Graig Fleisher with Michael Feinstein (piano and vocals). Music from Hollywood. Wolf Trap Festival (703 255 1986).

Chicago

Ravinia Festival. Russell Sherman (piano) in a Beethoven recital (Mon); Chicago Symphony Orchestra conducted by Valery Gergiv with Yuri Bashmet (viola) in music by Prokofiev, Schnittke and Tchaikovsky (Thur). Highland Park (728 4642).

Tokyo

Ivry Gitlis (violin) plays Bach and Bartok. Casals Hall (Mon) (496 0959).

FINANCIAL TIMES

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Monday July 30 1990

Fixing the price of oil

THE ORGANISATION of Petroleum Exporting Countries has worked hard in recent years to convince the world that it is a moderate group capable of making a positive contribution to the world economy. It still has more convincing to do.

The meagre fruits of its efforts at persuasion were nearly destroyed at a stroke last week when Iraq's President Saddam Hussein moved his troops to the Kuwait border and demanded roughly a 50 per cent increase in the price of oil. Until then, President Saddam's oil minister, Mr Issam al-Chalabi, had been prominent among those stressing Opec's moderation.

In the end compromise prevailed at the Opec meeting held last week. Strident calls for $25-a-barrel oil were defeated and Iraq agreed with the others on a $21 target price, to be achieved by modestly restricting the supply of Opec oil.

It is natural for Opec to seek a better price for oil, especially at a time when the dollar – the currency in which the oil price is fixed – has been falling. But the Opec countries must remember that they too are part of the world economy and cannot defeat its laws. The extreme fluctuations in oil prices over the past two decades, caused in part by Opec behaviour, have imposed a large cost on the international economy. A good part of this cost was in the end borne by the Opec members themselves.

Exaggerated cycles

The extremely low energy prices of the past four years were a natural consequence of Opec's successful efforts early in the 1980s to keep prices artificially high while demand for its oil fell rapidly. These prices were finally unsustainable and the market collapsed.

Both high and low price periods have sent the wrong long-term signals to producers and consumers. Recent low prices have encouraged a rapid growth in consumption while discouraging investment in production.

Cycles in a commodity industry are unavoidable, but there is no reason for these to be artificially exaggerated – especially when the commodity is as important as oil.

Opec would strengthen its claim to respectability if it could avoid contributing to price lurches when attempting to satisfy the revenue needs of its members. On this front, at least, there were encouraging signs at last week's meeting that more of Opec's members are beginning to understand the imperatives of the market.

Blaming others

Opec was once again unable, however, to avoid blaming the world for problems of its own making. To say, as Opec's president, Sadek Boussena, did, that non-Opec producers bear some responsibility for difficulties in the market is to ignore the fact that Opec itself has been unable to keep its own members in line.

They have repeatedly signed voluntary pledges with each other only to violate them with abandon. More disturbing were the Iraqi military threats, before the meeting, against its fellow members Kuwait and the United Arab Emirates. Iraq's anger stemmed in part from the way its neighbours helped drive down oil prices by cheating on production quotas. But this cannot justify the threat to take military action.

Iraq's militancy will help make the new Opec production agreement stick. Yet no one will believe that an Opec ruled by the gun can promise stability, moderation, or reliability.

The immediate impact of the new proposed price on the world economy is likely to be modest, but negative. It will be softened for many countries by the dollar's weakness; and despite Iraq's threats will inevitably be undermined by overproduction by individual Opec members.

For the UK, however, poised on the brink of entering the European exchange rate mechanism (ERM), the consequences are more complex.

The UK's role as an oil exporter, though diminished, may push up the level at which the pound enters the ERM, which would be good for inflation but bad for corporate profitability.

More likely, however, is that there would be little change in the rate at which sterling joins the system. The inflationary impact of the oil price rise on the UK would thus be as great, or as little, as for any other member of the ERM, Britain's oil-exporting status notwithstanding.

An end to the milk cartel

THE RESHAPING of Britain's dairy industry to meet the requirements of Mrs Thatcher's "enterprise" Britain, let alone the challenges of 1992, is proving hard work.

To those unacquainted with it, the industry presents a surprisingly un-Thatcherite face. On the one hand, monopoly milk marketing boards buy all the country's milk and sell it on. On the other, they not only dispose of 30-35 per cent of the market in dairy products through their own manufacturing companies, but along with a handful of other major dairy concerns also fix milk prices and minimum company profits.

Efforts to break open the cartel have only gathered force in the last year, mainly as a result of increasing pressures on the industry from the creation of the European Community's single market from 1992. In the mid-1970s, on Britain's entry, the Community was persuaded to endorse the milk marketing arrangements mainly because it was hoped that mounting milk surpluses would thereby be diminished. But in the run-up to 1992, monopolies and price fixing look untenable.

The most obvious way forward would be government legislation to abolish the statutory monopolies of the marketing boards. That would disband the cartel and allow processors to buy milk from farmers directly. But it would alarm conservative dairy farmers, with a folk memory of the 1930s depression in which the boards were formed to protect them. The Government, with no stomach for further political controversy, has baulked at such action.

Voluntary abandonment

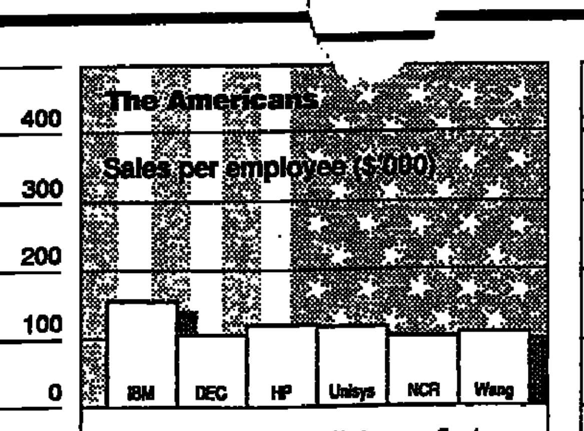
Standing on the side lines, the Ministry of Agriculture instead wants to encourage the Milk Marketing Board for England and Wales – by far the largest of the five – voluntarily to abandon its monopoly. In return, the ministry says it sees no reason why, under either EC or UK law, the MMB should not become a voluntary co-operative and retain its ownership of the manufacturing company Dairy Crest.

It is not yet clear whether the board's chairman, Mr Bob Steven, still intends to recommend such action at the annual meeting tomorrow since last week he apparently failed to get the complete endorsement he sought from the 18 members of the board. What is evident, however, is the opposition of the processors' body, the Dairy Trade Federation, to such a move. The DTF believes, to quote its president, Mr Andrew Dare, that such a "voluntary monopoly" would be inimical to competition and has threatened litigation. In protest, Mr Dare has called off the limited talks the DTF has been conducting with the MMB over a more transparent pricing system.

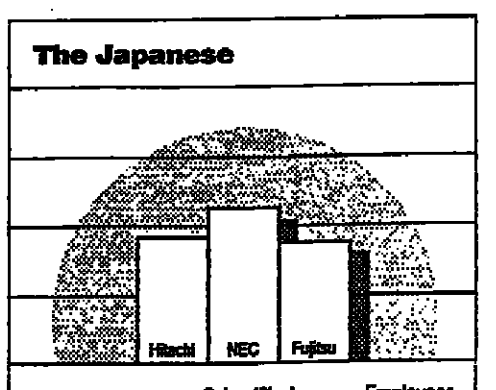
Regional dealing

Is there a way out of the impasse? If continental practice is a guide, the best solution for farmers, processors and consumers might be one in which farmer co-operatives dealt with processors on a regional basis in a way which encouraged the growth of competition but undermined neither farmer security nor essential supplies. It could be that such a solution would ultimately result if the MMB gave up its statutory monopoly voluntarily. For example, one of the biggest English processors, Northern Foods, has suggested it would seek to sign up the 2,500 farmers who currently supply it with milk and other companies would probably follow suit.

But that process could take several years and could be both messy and bitter. It would surely be better for the Government – which anyway would have to intervene at some stage to pass enabling legislation – to act as midwife to a sensible solution now. The prize could be well worth it. In other major EC countries where more relevant industry structures apply, farmers are paid substantially more for their milk while consumer prices are comparable with those in Britain. Sensible change now would put the UK's industry on a more competitive footing to meet the challenges of 1992.

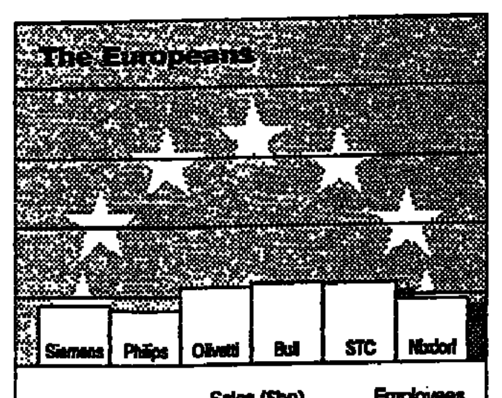


	Sales ($bn)	Employees
IBM	63.4	383,000
DEC	12.9	126,000
HP	11.9	95,000
Unisys	10.1	82,300
NCR	5.9	56,000
Wang	3.1	28,300

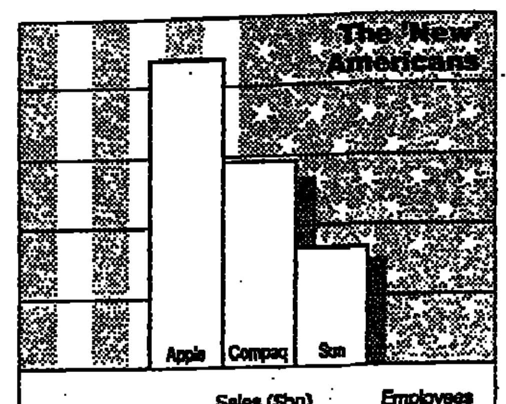


	Sales ($bn)	Employees
Hitachi**	50.9	274,000
NEC**	24.6	104,000
Fujitsu	18.7	104,000

** Including non-IT revenues



	Sales ($bn)	Employees
Siemens**	32.7	365,000
Philips**	27.0	305,000
Olivetti	6.6	57,000
Bull	5.2	43,600
STC	4.3	36,300
Nixdorf	2.6	28,500



	Sales ($bn)	Employees
Apple	5.3	12,000
Compaq	2.9	9,700
Sun	1.8	10,200

Source: Fortune 500, July 1990

Alan Cane on the formidable challenge facing the world's computer makers

Only the nimblest will survive

In the 10 days since the news broke that STC had agreed to sell up to 80 per cent of ICL, the UK's largest computer maker, to Fujitsu of Japan, reactions from around the world have ranged from the despairing and hysterical to the jubilant.

Within the UK, there has been the customary resignation at the "loss" of another national champion. The deal, the terms of which will be announced today, has also touched a raw nerve among ICL's European competitors which had hoped that, after more than a decade of painful restructuring, Europe's computer industry would be in better shape to take on the Americans and the Japanese.

But the issue goes well beyond Europe. The ICL deal is only the latest evidence that the worldwide computer industry has changed out of all recognition in the past few years, in ways which are poorly understood both outside and inside the business but which are having a drastic effect on the profitability of manufacturers in Europe and the US. Japan is buffered from the full effects for the moment by virtue of its buoyant economy but its makers will eventually face the same dilemma. For traditional computer companies, survival has become the principal issue.

The reasons for the poor performance of Europe's indigenous manufacturers have been well rehearsed; they are handicapped by insularity, by an inability to find adequate economies of scale and by a singular lack of innovation. Virtually all the main developments in modern data processing, from the personal computer to packaged software, have come from the US and are now coming increasingly from Japan. The European makers represent no threat to International Business Machines, the world's dominant computer maker; Japanese computer manufacturers are its only effective competition today.

Europe's trade deficit in data processing equipment, only $2.2bn 10 years ago, is now more than $12bn and is predicted to reach $17bn by 1993. Efforts to find critical mass through mergers between Europe's small players have consistently foundered, usually over issues of management and control. Siemens of West Germany says it has had serious discussions over co-operation with ICL three times in the past 10 years, none of which bore fruit. Attempts to weld together ICL, Olivetti of Italy and Nixdorf of West Germany similarly came to nothing. Now ICL's defection to Fujitsu has finally put paid to ideas of a pan-European computer company and left behind awkward questions about ICL/Fujitsu's continued role.

Ironically, in view of its impending sale, ICL has been the most profitable of European computer companies in recent years. It is accepted as a leader in the rapidly growing business of systems integration which most industry observers believe will be the key to profitability for computer makers in the 1990s.

Systems integration has only assumed its present significance in the past two or three years as customers have started looking for strategic computer systems to run their business – a giant step beyond the conventional use of computers for accounting, payroll and personnel records.

In comparison to the gloom in Europe, Japanese industry and media are triumphant. They see the ICL acquisition as an important staging post in their ambitions to become the world's leading suppliers of data processing equipment, a grand design they have pursued against heavy odds since the 1950s.

Now the three leading Japanese computer companies each have a significant mainframe marketing channel to the West. Hitachi sells both through its subsidiary Hitachi Data Systems and through Comparex, a joint venture of BASF and Siemens, both of West Germany. NEC has a 15 per cent share of Bull HN, one of the two leading companies in France's Groupe Bull to which it supplies computers and components. Fujitsu has its own sales force but also has a significant share in Amdahl, the US mainframe computer manufacturer. In addition, it sells supercomputers through Siemens.

These channels to the West bear closer inspection. Hitachi Data Systems is partly owned by Electronic Data Systems (EDS), itself a subsidiary of General Motors of the US and a company which is tipped to become a world leader in systems integration. Groupe Bull is in the middle of a transformation which will give greater emphasis to systems integration. ICL is already a European leader in systems integration.

Why should this be so significant? It matters because the Japanese are allying themselves with competent sources of systems integration expertise at a time when the traditional computer industry is changing so rapidly that every company is being affected to a greater or lesser extent.

It has been described as a malaise in the industry. The symptom is heavy pressure on gross margins and the prognosis is not good. Some have already succumbed to the sickness. Last year Nixdorf sustained crippling losses and was acquired by Siemens, unwillingly many observers believe.

Others are rallying, though still in a bad way. Olivetti's 1989 pretax profits were 43 per cent down on the previous year's, and today Groupe Bull will announce heavy interim losses.

American companies have been just as badly affected. Wang Laboratories and Data General have been making heavy losses and have put in place emergency programmes cutting staff and expenses to restore profitability. Last week, Digital Equipment, the world's second-largest computer manufacturer, announced the first quarterly loss in its history.

As a result, the big computer manufacturers are for the first time having to do something which does not come naturally: eat humble pie. They now accept they have often treated their customers with an arrogance bordering on contempt. They agree they have emphasised technological wizardry at the expense of simple solutions and admit that their chief aim has been to sell systems rather than solve their customers' problems.

What has changed the game so dramatically is the power of small computers based on high-performance microprocessors and the growth of "open systems," which make it simple to connect together equipment from a variety of manufacturers and to run software from a variety of makers.

Some idea of the way the industry is changing can be derived from the figures for sales per employee. The charts show how the industry is becoming segmented. The figures, based on Fortune magazine's top 500, are not entirely comparable, but adequate to make the point. Based on sales per employee, IBM – which has made a huge effort in the past few years to match industry trends – is, at about $160,000 per employee, significantly ahead of the rest of the US manufacturers. The Japanese manufacturers, at about $200,000 sales per employee, are about twice as productive as either the rest of the US manufacturers or the Europeans.

But the most dramatic figures refer to personal computer manufacturers such as Apple, Compaq and Sun who make use of off-the-shelf chips to build ultra-powerful machines. They have no need of technology agreements to acquire mainframe processor technology. They do not need expensive sales forces because they sell through dealers and other sales outlets. They have no established customer base which has to be protected.

For traditional manufacturers, the problem is threefold. They have to complete the difficult and protracted task of moving to systems integration. At the same time they are being forced to compete both in proprietary mainframe designs – which yield gross margins of up to 80 per cent – and in open systems where gross margins can be only 30 per cent.

Software houses are increasingly writing packaged software to run on "open systems." Customers, following the example of governments, are beginning to specify open systems. Both of these developments are hastening the move from high gross margins to low gross margins at a rate which few manufacturers anticipated.

What options remain for Europe's makers? Mr Francis Lorentz, chairman of Groupe Bull, believes passionately that there should be more collaboration in research and development and in product manufacture.

But amid the rapid change in the industry the question of whether there is a future for an independent European computer industry may be virtually redundant. The real question is whether any of the mainframe and mini-computer manufacturers – with the exception of IBM and the Japanese – can match the speed of change of the industry rapidly enough to survive at all.

Long march of history heads East

ICL's history takes in most of the great names of the British electronics industry. It traces its origin to the formation in 1907 of British Tabulating Machines (BTM), the UK subsidiary of the US Tabulating Machine Company (TMC).

TMC and BTM were incorporated by the US citizen Herman Hollerith, who invented the punched-card tabulating machine in the 1880s. TMC became, eventually, International Business Machines. BTM became ICL.

BTM merged with the Powers Samas Accounting Machine Company in 1958 to form International Computers and Tabulators; with the advent of the digital computer in the 1960s, BTM merged with English Electric Computers – itself an amalgam of a variety of computer interests including those of Marconi – to form ICL.

In 1976, ICL strengthened its position in smaller machines and specialist terminals through the acquisition of Singer Business Machines. A consequence of this chequered pedigree has been that only in the past few years has ICL functioned as a single, narrowly focused company rather than as a collection of separate units. And it was always a rough, tough industry. In 1972 when Geoffrey Cross took over as managing director, he found a company moribund, demoralised and committee minded, according to the ICL historian Martin Campbell-Kelly.

It has been, however, first and foremost, a technological leader, although its commercial performance rarely matched its computing skills. Among its inventions which bear comparison with any in the computing world are the distributed array processor, an early and successful attempt at what is now called "massively parallel processing" which gives mainframe computers supercomputer performance and the content addressable file store, a high-speed method of retrieving information from magnetic disks.

The Cross years revitalised the company and saw the introduction of its best-known range, the 2900 series, based on a highly original design developed at Manchester University.

By 1979, however, with Dr Christopher Wilson having taken over from Cross, ICL was running into trouble from two directions – increased competition from a revitalised IBM and a rise in the sterling exchange rate. In 1981, the Government persuaded Robb Wilmot to become managing director of ICL with Christophor Laidlaw as chairman. Within six months a technology agreement was signed with Fujitsu, and ICL was on a path which would lead inexorably to Japanese ownership.

OBSERVER

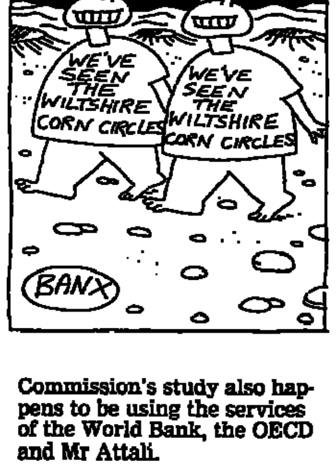
Inquisitor for Soviets

■ THE man seen as Britain's chief inquisitor during the dark days of the mid-1970s is turning his attention to the Soviet Union. Alan Whittome was then head of the European department of the International Monetary Fund, and he became something of a bogeyman as he shuttled between Washington and London to negotiate conditions for a $3.9bn standby loan, and monitor Britain's economic performance.

Now this 65-year-old Englishman is postponing his retirement from the fund to become the personal representative of the IMF's managing director, Michel Camdessus, and will take charge of a study of the Soviet Union. A former Bank of England man, Whittome's most recent position at the IMF was director of the Exchange and Trade Relations Department.

The study itself was commissioned by the leaders of the Group of Seven earlier this month. The US-inspired idea reflects Washington's anxiety to find a counterweight to balance continental Europe's enthusiasm for providing heavy financial support to the Soviet Union. Camdessus himself has been in Moscow all this weekend meeting senior Soviet officials. The weekend before he was busy in New York presiding over the first meeting on the Soviet study, which will bring in the World Bank, the Paris-based Organisation for Economic Co-operation and Development and Jacques Attali, the French head of the new European Bank for Reconstruction and Development.

There is some concern that the Soviet study, to be completed by the year end, may distract the IMF. It also looks suspiciously like doubling up on the work of the European Commission which has to complete its own study of the Soviet Union by October. The Commission's study also happens to be using the services of the World Bank, the OECD and Mr Attali.



Gardini's aide

■ Somewhere in the shadows behind Raul Gardini, the wily silver-haired boss of Italy's Ferruzzi-Montedison group of companies, is Giuseppe Garofano. This 46-year-old head of the Montedison chemicals group has just sprung Italy's merger of the year, leaving many brokers fuming.

Although a chemical engineer by training, Garofano prefers crunching numbers than cracking chemicals. Talking of the complex deals which he has constructed for Gardini, Garofano's eyes start to sparkle. Last year, he masterminded the L2,700bn net sale of Ferruzzi's stake in Fondiaria, the leading insurer. This wiped out at a stroke the debt of Ferruzzi Finanziaria, the financial holding company which he also runs. Now he has turned his brain to Montedison itself.

But perhaps the best testament to Garofano's skills are his powers of survival. A protégé of Mario Schimberni, the former Montedison boss who left swiftly when Gardini took control, Garofano's fertile brain has so far secured his position as top dog at Montedison's Milan headquarters, from which many others have departed less than willingly.

Profit in law

■ A new journal is being launched today for Britain's lawyers containing absolutely no legal precedents. It will also shock the more traditional lawyers with lots of "dirty" words like profits growth, public relations and even management strategies.

The bi-monthly Professional Lawyer is the most significant journal launch so far from Chancery Law Publishing, a new legal publishing venture from Bloomsbury. The independent publisher was set up in 1986 by Nigel Newton, a San Franciscan who has worked in the British publishing industry since reading English at Cambridge.

"The concept of the journal is revolutionary: it's dedicated to making law firms more profitable," says Newton who took on the big American publishing conglomerates by setting up Bloomsbury in the first place and is now challenging the heavyweights of the legal publishing world such as Butterworth and Sweet and Maxwell. The new legal publisher has already come out with journals on water and utility law.

The idea for Professional Lawyer, which will look at all the practical problems of running a law firm, came from David Yates of Baker & McKenzie. For 18 years he was professor of law at the University of Essex. Yates, director of professional development at Baker & McKenzie and also general editor of the new journal, noticed that such specialist journals were common in the US but not in the UK.

"There's a very clear gap in the market and we're going to fill it," says Yates, who adds that partnerships for lawyers may be democratic but corporations could be more efficient.

Shoulder pads

■ A fashion writer once complained that women in shoulder pads looked like American footballers in drag. Yet will those aggressive, hulky shoulder pads become part of our '80s nostalgia like the miniskirt of the '60s?

Certainly the Victoria and Albert Museum has had an extraordinary response to what set out as a nutty scheme to commemorate this (largely female) fad of ego-projection. Fed up with the the Power Shoulder look of the '80s, Elizabeth Block of City Marketing decided to organise a mass donation of shoulder pads to the V & A. Her idea, slightly tongue-in-cheek, was to get sculptress Silvia Libedinsky to create a work from these unwanted extras. The V&A agreed to back the project as a side-line to its exhibition, Collecting for the Future.

Since June shoulder pads have been arriving at the museum by the score. "We now have well over 3,000 in sacks. More than 100 came in last week and they are all over the office," says Tracy Williamson, the V&A's press officer. Many have arrived in envelopes; but a tidy pile has been contributed by Harrods.

Silvia Libedinsky, who specialises in soft sculptures of foam, now has a large enough stock to begin work on a giant tortoise. The shoulder pads are apparently well suited to form layers for the tortoise's shell. But the tortoise is also meant to contrast the more discreet, slower-moving '90s with the brasher go-getting '80s. One might call it a sculpture of the vanities.

Oiling the wheels of Soviet capitalism

Past neglect has made harder the launch of Kamaz truckmaker as a competitive company, writes Leyla Boulton

Leonid Brezhnev would never have thought that a town once named after him would house the first experiment in Soviet-style capitalism.

The former town of Brezhnev, 900 km east of Moscow, has now been renamed Naberezhniye Chelny as part of the backlash against the stagnation the late Soviet leader has come to represent. More important, it is the site of Kamaz, the Soviet Union's main heavy truckmaker and an enterprise that is set to become the country's first true shareholding company.

With an annual output of 125,000 trucks from its 100 sq km plant, Kamaz (Kama River Automobile Works) was a showpiece of the huge-scale industrialisation pursued by Mr Brezhnev. It is now a pioneer in the Soviet Government's campaign to transform an ailing, centralised administrative-command system into a market economy.

With Moscow's active encouragement, Kamaz is the first state enterprise to take advantage of a month-old law allowing the establishment of joint-stock companies and the sale of shares to outside investors, including foreigners. "We want Kamaz to set an example for other enterprises," says Mr Gennadi Melikian, a senior official on the Government's economic reform commission. "This will also help us sort out any practical difficulties in implementing the reform." A list of other state enterprises earmarked for denationalisation will be published by the end of August.

Under the gaze of Lenin, whose portrait still adorns the offices of most Soviet managers, Mr Leonid Komm, a 43-year old economist from the Ukraine and director for economics and planning of Kamaz, sketches bold plans to raise badly needed capital by selling shares later this year. "Whoever goes first is bound to experiment," he says. "But we believe there is no way out other than the market."

Mr Nikolai Bekh, the company's general director, announcing the plan in May, said that what is the world's largest truck plant wanted to improve its product so it could compete on world markets. To do that, Kamaz needs at least 6bn roubles (£6.3bn at the overvalued official rate) in fresh capital by the year 2000, he said, adding that it was "unrealistic" to count on the state for any money.

Apart from the sums involved, the scale of the task ahead is gigantic. Kamaz faces a host of practical, legal, and financial obstacles in a country which has neither a stock market nor corporate accounting methods.

More than that, it is constrained by the economic structure created by 70 years of communism. Supplies for any enterprise are chaotic. Workers are poorly motivated. State planning displaces market mechanisms in determining whom an enterprise sells to and at what price. But the stakes in this experiment are high both for Kamaz and the Government. If Kamaz, one of the country's more efficient enterprises, fails to make the change, there is little reason why others should succeed.

With turnover last year of Rbs 4bn and profits of Rbs 550m, Kamaz has been systematically milked for cash by the state. "The Government made a strategic mistake by considering that it did not need to invest in a relatively new enterprise," observes Mr Komm. "It preferred to give what we earned to other enterprises which were losing money."

The results of that policy are debts of Rbs 400m and equipment which has not been replaced since Kamaz started production in 1976. This means that it spends some Rbs 100m a year repairing machinery originally supplied by dozens of western companies in the 1970s. Renault, the French car maker, supplied welding and painting equipment. Swindell-Dressler of the US built the foundry. West Germany's Thyssen provided forging equipment. Georg Fischer of Switzerland was one of several suppliers for the assembly plant. Japanese companies such as Marubeni helped equip the press-shop.

If Kamaz is eventually to compete, by retooling with comparable equipment, it has to attract hard currency investment and know-how from western companies – but this time without government financial support.

With total equity of Rbs 5bn, Kamaz hopes to place around Rbs 450m of stock to foreign investors in an initial sell-off of a third of its capital later this year. However, it will not receive all the money at that stage. The state will get the proceeds of the Rbs 1.5bn sale (although it has agreed to take only the rouble equivalent of any hard currency raised). In a second stage, Kamaz plans a capital increase of around Rbs 1bn next year, all of which it will keep.

Prior to its relaunch as a joint-stock company, the enterprise is arranging for western auditors to produce a proper balance sheet for inspection by potential investors. Mr Komm says an important west European vehicle maker is interested in eventually taking a stake, although he declines to confirm whether candidates include Fiat, which is building a new car plant at Yelabuga, just across the Kama River.

"Our immediate problem is to convert a Soviet balance sheet into one which meets world accounting standards," explains Mr Komm, who used to work at the giant Fiat-built car plant at Togliatti. He adds that another prerequisite for attracting westerners is government approval of legislation to protect foreign investment. This would allow an investor to

The Kamaz enterprise has been systematically milked for cash by the state

re-sell Kamaz shares and take hard currency out of the country.

Kamaz also wants to persuade its 140,000 workers and other Soviet enterprises – in particular those which happen to be either its customers or suppliers – to invest in the business. But until the Government sets up the stockmarket it has promised, shares will not be offered to the public.

Under the new structure, a shareholders' assembly is to become Kamaz's ultimate master. A board representing investors will oversee management. The state will retain 51 per cent of the shares, but it has promised to hand over half its voting rights to workers. It is not yet clear how this will work in practice. "Any disagreements will have to be discussed until both sides agree," Mr Komm provisionally explains.

Kamaz currently operates in virtual autarky in a town built specially for it. Perennial problems with suppliers mean that Kamaz has to barter trucks for anything from meat to cast iron. In some cases it has to fly in raw materials and components, raising transport costs to about 6 per cent of its turnover. It is unsurprising therefore that the company wants to swap shares with suppliers as a way of improving their reliability.

Another way in which Kamaz differs from any conventional privatisation is that it intends to spend nearly a third of the sale proceeds on social welfare. "We are a socialist enterprise," Mr Komm gently emphasises. "Of course, a shareholding company is created with the aim of making more profit . . . But our main general aim is to improve the wellbeing and salaries of our workers.

"It is important that this should not frighten investors," he adds, promising a more efficient workforce. "When our workers become our shareholders, they will seek to enhance their own property."

But there is no doubt that many in the workforce are thoroughly demoralised by years of poor social conditions, and sceptical about the the whole idea of buying shares. "It's all the same to me. There's no incentive to work here," argued Mr Maksud Favatovich, a 25-year-old foundry worker who has been waiting for a flat for five years. But he said he would buy shares, because he had nothing to lose. "It will probably be better, but there is bound to be unemployment," said Mr Rashid Akmetov, a forger from Kazakhstan.

Kamaz is promising its workers a dividend of 8 per cent to 10 per cent on their investment. The Government meanwhile is doing all it can to help the experiment succeed. While Moscow coyly says that the project is Kamaz's own initiative, Mr Komm says the idea came from the very top – specifically from Dr Leonid Abalkin, the Deputy Prime Minister responsible for economic reform – before the legislation even existed.

"Looking for ways to raise capital, we went to see the Deputy Premier in December with a plan to become a leasehold enterprise, and to sell shares later on. But when Abalkin suggested that we become a shareholding company right away, the idea fell on fertile ground because we were psychologically ready."

As one result, new tax laws – setting fixed corporate rates of around 36 per cent against deductions of up to 80 per cent now – are being applied to Kamaz six months ahead of the Government's reform schedule. The Government will also write off the debts of state enterprises which go public, and will forgo dividend payments up to the amount that it receives from any share sale.

The Kamaz project, like the whole drive to switch the Soviet Union to a market economy, may seem a desperate gamble. But the alternative to failure is bleak. For all the difficulties ahead, Mr Komm says the experiment is "doomed to succeed. The Government has finally understood that it cannot manage the economy from above. That is the most important achievement of perestroika."

LOMBARD

CBI initiative on inflation

By Samuel Brittan

A staff study of inflation by the Confederation of British Industry has attracted attention by its call for the reform of the Retail Prices Index. But the disclosure of the RPI recommendations ahead of the rest of the report gives a one-sided impression. The draft version now circulating makes more comprehensive recommendations and provides a better diagnosis of the origins of the present inflation than any rival schools of monetarists.

While the CBI makes the ritual condemnation of the short-lived UK interest rate cuts early in 1988, the report makes clear that the roots of the problem go much further back: to the levelling out of inflation at only 5 per cent after 1983-84, while other European countries went down to lower rates.

Although the RPI is now exaggerating the size of the inflationary upturn, its real disservice was, as Lord Whitelaw might have put it, in stirring up complacency in the mid-1980s, when the headline inflation rate was depressed by a series of mortgage rate cuts – not to speak of a one-off halving of the oil price in 1986 which it would have been difficult to eliminate even from a reformed index.

The CBI charts inflationary pressures in terms of nominal domestic demand. This is more useful than the conventional estimates of real demand still used by the Treasury, from which inflation has already been extracted. Nominal demand growth never fell below 8¼ per cent which it attained in 1984-85, after which it started to climb again.

The CBI is unconvincing when it tries to argue that fiscal policy was loose or that privatisation sales were used to finance public spending. The report correctly identifies, however, the role of rapidly rising consumer borrowing (80 per cent of which was ostensibly due to housing and not to credit cards or hire purchase as populists suppose). The credit boom itself reflected deregulation, which the CBI analyses in detail, as well as greater confidence in the future. The latter force was also behind the investment

Productivity growth

Annual % change 1980-87

	Whole econ	Manufac industry
UK	2.3	5.7
France	1.9	2.2
Germany	1.6	1.9

Source OECD

boom which was superimposed on the later stages of the consumer upturn.

The report correctly argues that the struggle against inflation needs to be more firmly institutionalised both in a commitment to the European exchange rate mechanism and in a more independent central bank. One without the other is not enough. ERM membership will transform the inflation outlook only if there is a firm commitment to minimise and ultimately eliminate downward realignments – which the Bank of England is more likely than politicians of either of the main parties to provide.

The CBI worries unduly about policies to hold down costs in the protected half of the economy not directly exposed to international competition. Its own figures are, however, modestly reassuring. Over a run of years, productivity growth in the whole economy has been at least as rapid as in France or Germany, while in manufacturing it has been much higher. If costs can be prevented from rising in manufacturing, an increase of 2 per cent or 3 per cent per annum in the sheltered sector will still deliver a lower overall inflation rate than anything experienced in the lifetime of most British citizens.

The greatest obstacle to a counter-inflationary exchange rate standard lies not in the normal lag of productivity in domestic services, nor even in sheltered labour markets, but in the housing market, which is distorted not only by mortgage interest relief, but by the absence of property taxes or any taxation of owner-occupier capital gains. Above all it is distorted by not-in-my-back-yard planning controls. It is here that the CBI will have to screw up its courage to a greater extent than anything shown in the present draft.

LETTERS

Redesigning western Europe's defences

From Mr David Harvey.

Sir, The defence cuts resulting from Options for Change are, in common with every defence review since 1945, consolidatory, not revolutionary. Tom King is right to take this approach. The light at the end of the Cold War tunnel could as well be a Russian express train driven by a nationalist.

None of the proposed changes should be put into effect until we have arms agreements that are seen to work and are capable of verification. For the moment we *must retain a substantial presence* in Europe and encourage the Americans to do the same.

However, the Government needs to look to where this holding operation will lead. If more optimistic assumptions prevail there will have to be a complete rethink of both Nato's operational force and western Europe's procurement structures. We shall only be able to take full economic and political advantage of lower levels of tension if western European nations work to redesign their defences together.

The answers lie in a more determined attempt to move towards cheaper multinational force structures in Nato and the development of a rationalising western European procurement agency.

A new force structure could follow naturally out of existing proposals that have come from Nato and the Western European Union to be largely ignored to date because of a lack of will. A powerful procurement agency is more problematic. It would be perceived as a threat to favourite-son industries demanding protection from the winds of change.

The Independent European Programme Group might be a starting point through the establishment of a series of Europe-wide leader-follower agreements emphasising, for instance, British ships, German tanks and French aircraft. Follower nations would then have time to convert their shipbuilding, tank and aircraft capacity. An agency could follow as specialisation became *politically acceptable*. In the meantime there should be a rapid restructuring of research through the establishment of a European Defence Advanced Research Projects Agency to end the current duplication of effort and to act as a rationalisation flagship.

Whatever happens we should not wish to see Nato and European Community member states indulge in piecemeal force reductions. The end result would be a weak defence framework unable to meet the threat. If we co-ordinate restructuring we maximise both the size of the peace dividend and Europe's bang for its buck.

In your editorial comment ("First bites at defence, July 26) you note Britain's key role in Nato. After the interim conclusions of Options for Change now is the time for the Government to use its position and lead the way.

David Harvey,
Chairman,
The Bow Group,
92 Bishop's Bridge Road, W2

Why bother with a hard Ecu?

From Mr John Stevens MEP.

Sir, Paul Richards ("Questions and answers on the hard Ecu," July 25) answers his own questions most plausibly. Perhaps he can answer mine? I have two.

The first is, why bother? Why, if your objective is to move from 11 currencies to one, start by creating another one?

If a single currency is the objective, why not go straight for that: narrowing the bands of the exchange rate mechanism (ERM) progressively to zero and irrevocably fixed rates and then instituting a currency reform? If, on the other hand, a single currency *is not the objective, how can* this be a serious contribution to the debate on European monetary union?

My second question is, how does this scheme satisfy the political objectives, now driving the debate on monetary union on the Continent: of the non-Germans to contain Germany by getting rid of the D-Mark, the concentration of German power; and of the Germans to spread the costs, which presently will fall to them, of developing central and eastern Europe through the integration of capital flows? Only a relatively swift move to a single currency can achieve these objectives.

John Stevens,
15 St James's Place, SW1

Towards more open skies

From Mr K.P. Armitage.

Sir, I concur wholeheartedly with Hugo Dixon's ("Why the open skies stay closed," July 17) and his comments on the parts played by national public telecommunications operators (PTOs), and Intelsat and Eutelsat in strangling the advance of telecommunication services by the provision of private satellite communication systems for the business sector.

In the US, where deregulation already provides much greater flexibility and choice for the customers and where an open skies policy is encouraged, many major corporations have already provided their own private VSAT video and data satellite communication networks.

With more integration between member nations of the European Community and the *real possibility of greater trade* with eastern Europe, satellite communications offer the ideal solution where a lack of terrestrial services and connectivity might hold up progress.

As mergers and acquisitions occur in Europe, VSAT satellite communication systems offer considerable potential for large corporations and multinationals with dispersed sites, factories and distribution points to provide and manage their own telecommunication networks independent of national PTOs and the exorbitant costs of numerous international connections.

Both Eutelsat and Intelsat should consider the feasibility of opening-up their access procedures by providing long-term and short-term access to transponders, from both fixed and mobile satellite systems much like the services provided by GTE Spacenet and Comsat in the US.

K.P. Armitage,
29 Stoneham Close,
Petersfield, Hampshire

UK's high technology loss

From Mr M.J. Phillips.

Sir, I read Guy de Jonquières's article ("Shadows over the sunrise sector," July 25) shortly after hearing of the decision by a US corporation to close one of its UK development groups. The high technology involved is not redundant, it is being transferred to the US.

This highlights one of the main problems of foreign ownership of important parts of UK industry. When retrenchment is required the immediate response is to take important offshore activities back within the national base of the parent.

Over this the host country can have very little influence. Hence technology which has been developed in the UK ends up benefiting another country's manufacturing base.

While we seem to rush into the arms of foreign owners with apparent abandon, it is not surprising that Europe, and the UK in particular, fail to translate "technological strength into profitable and expanding world market share."

Mike J. Phillips,
9 Lodge Park,
Whittlebury,
Towcester, Northamptonshire

Walesa: politician of last resort

From Professor Joaquim Muns.

Sir, I read with interest your editorial comment ("Divisions in Poland," July 17). As I have just come back from a lecturing visit to that country, including a private meeting with Mr Lech Walesa, I would like to offer the following comment.

You seem to endorse Mr Walesa's bid for the presidency. Others do too. But many, including some of his best advisers, think this an unwise move. And so do I. I think Mr Walesa's force lies in his inspiring role and his capacity as political arbitrator.

Fortunate are the countries which, like Spain with the King, have a politician of last resort to tide them over exceptionally difficult periods. Would it not be best for Poland, and as a matter of fact for all of us, if Mr Walesa remained as the politician of last resort he is instead of getting burnt out in the political arena?

Joaquim Muns,
Professor of International Economic Organisation,
University of Barcelona,
Spain

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MANDELA ADDRESSES RALLY

ANC distanced from communists

By Patti Waldmeir in Soweto

MR NELSON Mandela, deputy president of the African National Congress (ANC), yesterday distanced himself from the South African Communist Party (SACP) when he addressed a rally to mark the public launch of the party after 40 years as a banned organisation.

Mr Mandela told a half-empty soccer stadium on the outskirts of the black township of Soweto: "The ANC is not a communist party . . . and as a national liberation movement it has no mandate to espouse Marxist ideology." But he forcefully defended the party against recent attacks by Pretoria – including allegations that its general secretary, Mr *Joe Slovo, was involved in a* plot to overthrow the Government – saying that as a "defender of democracy" the ANC would fight for the SACP's right to exist.

This was the clearest statement yet from Mr Mandela on *the state of relations between* the ANC and its oldest and closest ally, the SACP. The Communists had fought side by side with the ANC in the liberation struggle, he said, but made clear that the two were separate organisations with separate ideals. However, the leadership of the two organisations clearly overlaps, as demonstrated by yesterday's announcement of the top leaders of the SACP. At the rally, the SACP named a 22-member "Interim Leadership Group" which included nine members of the ANC's most senior policy-making body, the National Executive Committee. They included two of the most powerful executive committee members, Mr Joe Slovo, and Mr Chris Hani, chief of staff of the ANC military wing, Umkhonto we Sizwe.

Nelson Mandela with Joe Slovo at yesterday's Soweto rally

However, this probably understates the true strength of the Communist Party on the ANC executive, which is believed to include several communists who were not named to the new Interim Leadership Group. The SACP has made clear that it will continue to keep the names of some members secret, and may have wished to avoid appearing to dominate the ANC.

Only half of the SACP leadership are black, reinforcing charges that the party is dominated by white and Indian radicals. Many of the 22 are trade unionists, including Mr Chris Dlamini and Mr Sidney Mafumadi, both senior figures in the largest union federation, the Congress of South African Trade Unions (Cosatu). The two most powerful trade unionists in the country – Mr Cyril Ramaphosa of the National Union of Mineworkers and Mr Jay Naidoo, Cosatu General Secretary – were not included in the list, although they spoke at the rally.

Assessing the true strength of the Communist Party in the leadership of both the ANC and trade unions thus remains difficult. Popular support is also hard to guage, though organisers were disappointed by the 40,000 crowd, many of whom were bussed to the rally at the party's expense.

Bush gives go ahead on sale of US chip maker to Japanese

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush has given the formal go ahead to the sale of a US semiconductor equipment supplier to a Japanese group, despite strong objections from the American *semiconductor industry* and some members of Congress.

He has decided that there is no threat to US national security from the acquisition by Nippon Sanso of Japan of Semi-Gas Systems, a California-based division of the Hercules group.

Semi-Gas produces gas delivery and purification systems that are used in making semiconductors. It has well over 40 per cent of the US market.

The President's decision, in what has been seen as a test case for US policy on foreign investment, is in accordance with a unanimous recommendation from the Treasury-led Committee on Foreign Investment in the US, an inter-agency government committee.

The Bush Administration has stressed that alternative US-owned suppliers are available and that Nippon Sanso has proposed a confidentiality agreement, as used by the Defence Department, to protect sensitive information.

Nippon Sanso has also said that via Semi-Gas it will make available to US semiconductor companies a purification system known as the clean gas approach, which produces silicon chips with fewer defects than at present. This technology is often used together with Semi-Gas's existing system, which will continue to be offered.

This decision comes as Congress is considering more than 20 measures to tighten regulations on foreign acquisitions of US businesses and to increase taxation on foreign-owned subsidiaries. The Administration will shortly produce a final version of the Exon-Florio rules – for examining foreign purchases – under which the Semi-Gas deal was approved.

The acquisition is still subject to anti-trust review by the Justice Department, in view of the combined size of Semi-Gas and Nippon Sanso.

The semiconductor industry, and especially Sematech, the *US government-backed* research and development consortium, strongly opposed the deal.

Sematech has been worried because Semi-Gas staff have been on its premises, closely involved in developing an *advanced gas delivery system* and gaining an "intimate knowledge" of Sematech's strategies and research.

Sematech has warned *that it* might still cancel its contract with Semi-Gas as a supplier if the deal goes through, because *of continuing fears about* loss of sensitive information, even though bringing in another domestic supplier might close down research work for several months.

THE LEX COLUMN

Crossed wires for electricity

The UK Government's almost comical mishandling of the sale of the electricity generators raises the natural question of how November's flotation of the distributors will be affected. Failure would be a serious matter; the total proceeds expected are around £6bn, or nearly twice what the two generators might fetch. *But the risk should not be* exaggerated. As duopoly suppliers to the distributors, the generators would doubtless behave differently if owned by Lord Hanson or GEC. But the operation of the system is deeply unclear whoever runs it. The more important point for the distributors is that they derive most of their profit from their own monopolistic service charge on the use of their wires.

As investments, the distributors will not be quite so much of an annuity as the water companies, being open to poaching for business from the generators and vice versa; and since electricity use is largely a function of economic growth, they are a more direct punt on the regional economies in which they operate. There is the further spice of takeover potential; already, the more hawkish distributors are speculating that there will not be 12 of their number in five years'time.

Whatever happens, they will be less volatile than the generators in profit terms. The worst case might be if the generators, having been carved into irrational shapes for the purpose of privatisation, did not leave the public sector at all. But even that need not affect the distributors radically. The generators themselves, after all, are being offered to the private sector while depending on a public sector supplier of their own – British Coal.

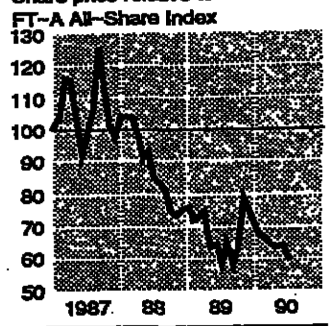
Maxwell

At a time when balance sheets are coming under closer scrutiny, the annual report of Maxwell Communications deserves some kind of award. It is not merely that the accounts are complex; from Mr Maxwell, *no less was to be* expected. The real challenge lies in trying to work out how, given the figures as stated, the business manages to sustain itself.

The starting point is net debt of £2.1bn – very little of it *capped – supported by sales of* £1.2bn. With US interest rates at 10 per cent, this ought to produce an interest bill of £210m. That in turn would need a 17 per cent return on sales to cover it. In fact, the company's return on sales last year was 19 per cent and the interest charge as a proportion of borrowings only 6.4 per cent, so that was all right.

Maxwell Communications

Share price relative to the FT-A All-Share Index



The profit figure itself, though, deserves consideration. Last year it came to £172.3m before tax. But in the flow of funds statement that figure is adjusted downwards for a number of items, of which two are particularly striking: a £49.7m deduction for book profit on disposals, apparently included in trading profit; and a further deduction of £84.3m for "provisions utilised".

Here at least we are in familiar territory. In the bolder forms of acquisition accounting, it is standard practice to make generous provisions against rationalisation costs – which do not affect profit at the time – and then release them back into profits in later years. The practice was much favoured by the now bankrupt Coloroll, which in its farewell set of accounts last year showed utilised provisions of £52m against pre-tax profit of £55.6m.

In Maxwell's case the £84m of provisions were presumably set up and utilised within the same year, since total provisions in the previous balance sheet were only £24m. The nature of these provisions is not specified. As it happens, the UK accounting profession proposed only last week that clear definition of such provi*sions should be mandatory.*

Making such provisions, of course, reduces the fair value of the business acquired and thus increases the amount of goodwill which must be written off the balance sheet. It is not easy to trace this effect in *Maxwell's case. In the course* of last year, the Macmillan and OAG acquisitions were consolidated. As a result, intangible *assets* rose by £1.7bn. The goodwill written off totalled just £42m. It is to be hoped that the realisable value of the publishing businesses is as high as these figures indicate; excluding intangibles, the net worth of the group is now a negative £1.2bn.

In view of the perplexing nature of Maxwell's cash flow, it is perhaps not surprising that the shares yield a historic 10.8 per cent. But there is a wrinkle here. Mr Maxwell, who now controls 55.5 per cent of the equity, takes not cash dividends but shares. Shareholders are now asked to approve a 24 per cent increase in issued share capital, which "will allow for shares to be issued in lieu of cash dividends." Given the picture which the accounts give of the group's affairs, shareholders might have a number of points to raise at the AGM; but that is one proposal, at least, which they would be ill-advised to refuse.

ICL

One of the most sensitive aspects of STC's sale of ICL to Fujitsu, to be announced today, along with STC's interim results, will be the value that the transaction places on the UK's sole mainframe computer manufacturer. The most recent European transaction, Siemens/Nixdorf, is little use as a comparison. Nixdorf was a loss-maker in crisis, while the City reckons that ICL will make after-tax profits of about £91m in 1990 on sales of about £1.62bn.

Given no sensible European yardsticks, investors have to look at US examples. Even here the sums are awkward. The most obvious case is the successful 1986 takeover bid by Burroughs for Sperry, to create Unisys. The deal was done at a p/e multiple of 14.6 times Sperry's expected 1986 earnings. But that was almost certainly too much. Burroughs expected near-term benefits which have not materialised: Unisys had a $400m net loss in 1989.

So a p/e of 14 times earnings seems like a ceiling. As for a floor, since 1985 Hewlett-Packard's stock has never traded below an annual average p/e of 14; but its record has been sparkling. NCR is probably a better measure: its annual average p/e has never been less than 10 in the last five years. As a rule of thumb, a fair price tag for 100 per cent of ICL *would be not less than £910m* and not more than £1.27bn. So if the stories are true and Fujitsu is buying 80 per cent of ICL for £740m, the price is at the bottom end of the range.

East German deficit higher than expected

By David Goodhart in Berlin

EAST Germany's budget *deficit for the second half of* this year is likely to be at least DM10bn ($6.09bn) higher than expected thanks to lower tax income and higher expenditure, especially on unemployment, according to Mr Hans Neumann, spokesman for the East German Finance Ministry.

Bonn officials had hoped to keep the deficit to about DM32bn, of which DM22bn would be covered by the German Unity Fund and DM10bn by East German Government borrowing, but are complain*ing about a lack of budgetary* discipline in East Berlin.

Mr Neumann, however, blames over-optimistic projections. "We had planned for an average of 450,000 unemployed through the second half of the year, which is perhaps half what the true figure will be. And our farms have lost two-thirds rather than the estimated one-third of their markets," he said.

Extra demands from public housing and the health system *could amount to DM5bn,* requiring, in Mr Neumann's view, a new "mini-budget" from Bonn. But Mr Theo Waigel, West German Finance Minister, is not in generous mood. He is keen to stick by his controversial commitment not to raise taxes and points out that some of the new claims from East Berlin, for example DM700m more to support energy prices, are against the terms of the State Treaty.

Bonn has already, since July 1, permitted East Berlin to double, *from DM4bn to DM8bn,* its loan guarantee facility for troubled sectors, especially agriculture.

Separately, the Treuhand (trust) body, which owns most of East German industry, guaranteed liquidity credits of DM10bn in July, *less than half* that asked for, according to its officials. They officials were speaking at a conference organised jointly with the West German accountancy profession, roughly half of whose *6,000 members are now active* in East Germany.

Mr Paul Liehmann, of the Treuhand, said that lacking adequate liquidity credit, companies were resorting to not paying their bills. He hoped that in August and September more East German companies would be able to begin normal borrowing relations with commercial banks, but warned that there would be no global debt forgiveness. Current privatisation income should be more than DM1bn but less than DM2bn.

It was also announced that a second non-German will sit on the 17-man supervisory board of the Treuhand, to accompany the Belgium businessman Mr André Leysen. He is the Dutchman Mr Johan van Tilburg, *who, like Mr Leysen, works in* West Germany, running the consumer electronics group Grundig. The Treuhand is, however, having some difficulties recruiting high calibre full-time officials with suitable *experienced in corporate* finance or company rescues.

The organisation is being broken down into five sectors: heavy industry with 857 companies (to be based in Saxony), investment goods 2,203 (Saxony/Anhalt), consumer goods *2,000-plus (Thuringia),* trade and services 1,800 (Berlin-Brandenburg), and agriculture and fisheries 180 (Mecklenburg).

Mr Liehmann said there were *still* plans to raise a major international loan for those companies which have survived *the immediate liquidity* squeeze but need new investment funds. According to an internal Treuhand report, 695 of the largest companies, employing 43 per cent of *all* industrial workers, will not get to the second stage.

It was also revealed that the average price of land in East Germany is likely to be about DM85 per square metre, although reaching as high as DM3,500 in central East Berlin.

Trinidad rescue bid

Continued from Page 1

staged the attempted coup to deal with corruption, racism and poverty.

At least 22 people were killed in violence associated with the insurrection, including looters said to be members of the Black Muslim commune which has a membership of just under 1,000. More than 100 people have been injured.

Although Mr Abu Bakr claimed to have national support for the insurrection, he appeared to be in control only of the parliament buildings and the state-owned radio and television station. Life appeared normal in other parts of the city and the rest of the island and its ward, Tobago.

Trinidad and Tobago's neighbours have condemned the attempted coup and expressed support for Mr Robinson.

Mr Erskine Sandiford, the Prime Minister of Barbados, and Mr P J Patterson, the acting Prime Minister of Jamaica, said their armies had been placed on alert to assist Mr Robinson, but that they would not intervene unless invited to *do so by the Trinidad Govern*ment.

W German power companies agree takeover terms with E Germany

WEST GERMANY's three largest electricity generation companies have reached an agreement with the East German authorities to modernise and take control of the country's electricity generation industry, AP-DJ reports.

Details of the plan were not immediately disclosed, but the announcement *at the* weekend immediately drew strong criticism. Mr Wolfgang Kartte, president of West Germany's Federal Cartel Office, yesterday called the deal "a textbook example of how it should not be done."

Hanover-based PreussenElektra said that it, RWE and Bayernwerk agreed on the two-phase takeover with East Germany's energy and environmental protection ministry and with the State Treuhand trust which holds shares in East German enterprises.

The agreement still requires antitrust clearances from East and West German authorities.

The companies first disclosed they were negotiating the takeover at the end of *June. Their intentions earlier* this month aroused opposition among East German lawmakers and government officials.

In West Germany, *smaller* utilities, political parties and public interest groups have argued that such a takeover would be patently anti-competitive and worsen chances for meaningful environmental protection during the reconstruc*tion of East Germany.*

Yesterday, the opposition Social Democratic Party in West Germany also condemned the accord, saying it would simply transform a government electricity monopoly in East Germany into a private monopoly. Mr Harald Schaefer, the party's parliamentary spokesman on Energy, called on antitrust authorities to veto the accord.

According to PreussenElektra, the first phase of the arrangement calls for the three West German utilities jointly to assume caretaker status over the national network of utilities in East Germany.

PreussenElectra, a subsidiary of Veba, the big West German energy, transport and trading group, added that the pact also calls for the three partners to invest a combined DM2.6bn ($1.6bn) to begin the overhaul of East Germany's inadequate and grossly polluting electricity sector.

Of this DM2.6bn, DM600m will be earmarked for the two main nationwide electricity distributors, Vereinigte Kraftwerke Peitz and Verbundnetz, *PreussenElektra said. The rest* would be distributed among East Germany's regional electric utilities.

The second phase of the takeover involves the three West German companies acquiring yet-unspecified equity interests in East German utilities. PreussenElektra did not say whether these stakes would be for majority ownership, as the companies previously indicated. Nor did it comment on the timing of the phases.

Mr Klaus Piltz, Veba's chairman, estimated recently that the final cost of restructuring East Germany's electricity industry could reach DM60bn or more. He said the three West German companies were prepared to make these outlays in East Germany.

Gorbachev defuses row

Continued from Page 1

manage the banking system until the union treaty was concluded.

"In order to prevent negative trends and concentrate efforts on the solution of urgent tasks and the formation of an all-union market, it is essential to work out common principles and approaches to the organisation of financial and credit relations in the USSR and to use them in preparing a union treaty," the decree said.

"With this end in view, the Supreme Soviets [parliaments] of the union republics have been recommended to refrain, until a new union treaty is concluded, from adopting and applying legislative acts that would disrupt the financial and banking system," it added.

The decree is a clear attempt by Mr Gorbachev to avoid both a head-on clash with the Russian Federation and the collapse of a unified banking system.

The Russian Parliament has endorsed reforms to transform banks into commercial institutions issuing their own shares.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	31	88	Berlin	S	31	88	Caracas		–	–	Faro	S	30	86	Islamabad	C	31	88
Algiers	C	28	84	Biarritz	F	22	73	Casablanca	S	27	81	Florence	S	32	91	Istanbul	F	27	81
Amsterdam	S	22	72	Bombay	F	28	84	Chicago	R	22	73	Frankfurt	F	27	81	Jakarta	C	33	93
Athens	S	30	86	Bordeaux	F	22	73	Cologne	Dr	17	64	Geneva	C	25	77	Jersey	S	23	73
Bahrain	S	37	99	Boulogne	F	22	73	Copenhagen	R	18	66	Gibraltar	S	23	73	Johannesburg	F	18	61
Bangkok	F	35	95	Brussels	S	23	75	Corfu	S	31	88	Glasgow	C	20	68	Lima	C	17	64
Barcelona	F	26	79	Budapest	S	30	86	Dallas	S	25	77	Helsinki	S	20	68	Lisbon	S	27	81
Beirut		–	–	Buenos Aires	F	12	55	Dublin	F	21	70	Hong Kong	F	31	88	London	F	22	73
Belfast	C	21	70	Cairo	S	32	90	Dubrovnik	S	29	84	Innsbruck	S	30	86	Los Angeles	S	17	63
Belgrade	S	30	86	Cape Town	C	13	57	Edinburgh	C	20	68	Inverness	C	20	68	Luxembourg	F	21	70

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	23	75	Milan	S	29	84	Nicosia	S	27	82	Salzburg	S	30	86	Tenerife	S	27	81
Madrid	S	26	79	Montreal		–	–	Oporto	C	27	82	San Francisco	C	13	57	Tokyo	S	28	84
Majorca	S	28	84	Moscow	T	13	57	Oslo	S	22	72	Seoul	F	23	75	Toronto	F	21	70
Malaga	S	26	79	Munich	S	30	86	Paris	S	25	77	Singapore		–	–	Tunis	S	36	97
Malta	S	30	86	Nairobi	S	25	77	Peking	C	27	82	Stockholm	F	22	73	Valencia	S	30	86
Manchester	C	20	68	Naples	S	33	93	Prague	S	31	88	Strasbourg	F	28	84	Venice	S	28	84
Manila	R	25	77	Nassau	C	33	93	Reykjavik	F	12	53	Sydney	S	15	59	Vienna	S	29	84
Melbourne	C	11	52	New Delhi	S	32	91	Rhodes	S	31	88	Taipei	C	36	97	Warsaw	S	27	81
Mexico City		–	–	New York	C	22	72	Rio de Janeiro		–	–	Tangier	S	36	97	Washington	F	22	73
Miami	S	35	78	Nice	F	27	81	Rome	S	30	86	Tel Aviv	F	29	84	Zurich	F	29	84

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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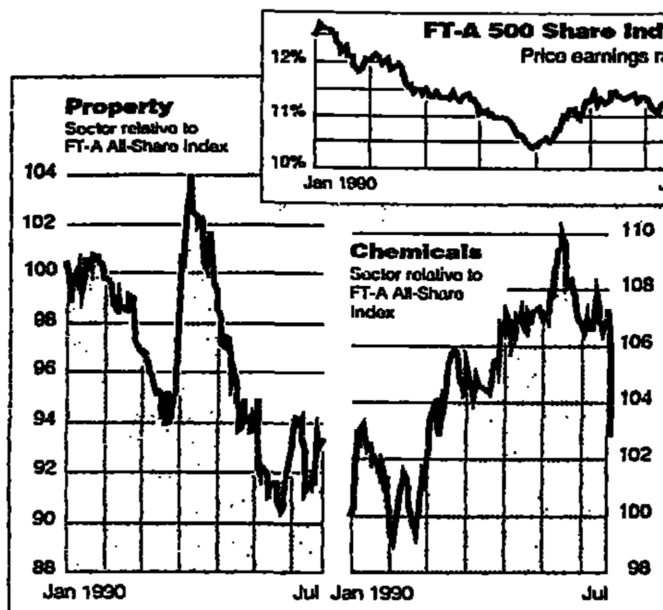
The surprise and fall of UK equities

Maggie Urry on unexpected results which have knocked the market



THE UK equity market pays particular attention to news from ICI. Those with longer memories can recall the shock of ICI cutting its dividend in 1981, emphasising the struggles of the corporate sector in that recession.

Last week ICI again delivered a nasty surprise to the stock market, announcing a sharper-than-expected fall in interim profits and a maintained, not increased, dividend.

The effect on the stock market was sharp. The FT-SE 100 index fell 20 points on the day, with ICI shares falling 6 per cent. Both the index and ICI shares fell again on Friday.

Despite the stream of bad news from companies, the FT-SE 100 index is only about 5 per cent below its all-time high in January this year. In price/earnings terms, though, the market is well below the pre-1987 crash rating.

The market is still buoyed by high levels of institutional cash looking for a home, and by the idea that foreign investors are now looking at sterling as a safe currency because of its expected entry into the Exchange Rate Mechanism of the European Monetary System. Buy UK equities, these investors say, without looking at the individual companies within the market.

ICI has not been the sole disappointer of the stock market. Nor has the UK market been alone in suffering from bad corporate news. In the last few weeks the UK market has had a series of blows; profit warnings from companies; downgradings by analysts; unexpectedly bad results; and frequent reminders of the effect the squeeze on the economy is having on weaker companies as a stream of receiverships or appointments of administrators are announced.

As well as ICI, last week's list included Reuters. That was a case of a highly-rated stock which disappointed by producing a profits rise less than hoped and Reuters saw its shares down 15 per cent in response. The list also included Reed, where the chairman evinced caution at the annual meeting, although still predicting higher underlying profits for the year, and suffered a 7 per cent share price fall on the day.

"We are now seeing a definite pattern of nasty surprises," says one broker's head of research. "Expectations have to be dampened down."

Meanwhile, in the US, dull results from the usually dependable McDonald's were credited with sparking an initial 100 point slump in the Dow Jones index on Monday. Worse than expected news has continued to come from other large US groups such as Dow Chemical, General Motors and Ford. The US market, more highly-rated than the UK, is especially sensitive when one of the big names disappoints.

No one was expecting 1990 to be a good year for UK corporate earnings growth. Forecasts are for rises in high single figure percentages, but they are slowly reducing.

Hoare Govett, the stockbroker, recently cut its prediction for 1990 earnings growth from the UK industrial sector from 8.9 per cent to 8.2 per cent. That seems a small reduction, but the figure is largely underpinned by interim figures already in the bag.

At BZW, the securities house, forecasts are checked monthly, and upgradings and downgradings compared. The latest ratio, published today, is of three reductions in forecasts to every increase, in companies with annual profits of over £40m ($72m).

The ripples spreading out from high interest rates and dampened demand in the economy – coinciding in some areas with downturns in industry cycles – mean that poor figures from the four main clearing banks, the insurance companies, building, construction and property groups, car dealers, and paper groups were already forecast.

Bad news from retailers is commonplace – although the severity of the fall in Burton Group's share price since its statement on *trading a month ago suggests* that even in that sector there can still be surprises.

Difficult trading conditions show up weaknesses in management or in corporate financing structures. And there is no isolation from one company's problems: from the banks making provisions against lending to property companies to David S Smith, the paper group, having to provide £1.7m against money it is owed by Coloroll, the home furnishings group now in the hands of the receivers.

A newer feature, which is working into share prices and profit forecasts, is the strength of sterling which affects translation of profits made overseas and makes exporting more difficult.

BAT Industries pointed out to Continental investors 10 days ago that sterling's strength would hit annual profits. The thought affected shares of other companies with significant overseas earnings. Those which use year-end exchange rates and have a *calendar year end have seen the* pound rise from $1.61 at the start of 1990 to more than $1.80 now.

The expected is, by definition, in the price. Analysts had long been predicting a profit fall at ICI, and its shares had underperformed ahead of last weeks' results. It is the unexpected which has the power to knock particular shares and the stock market as a whole.

Surprises cannot be predicted. But, perhaps, after years of rising profits, analysts have lost some of their touch in forecasting bad news. "There is too much 'herd analysis' rather than a real attempt by analysts to do original work and come up with a view outside the consensus," suggests the head of UK equity research at a UK broking house.

What to do about an unsightly figure

IT IS enough to make one turn monetarist. Here we have a Federal Reserve running a policy of cautious restraint, and monitoring the results against the official figures to ensure that it is getting the moderate 2-2.5 per cent growth which it believes will enable inflation to ease. According to the numbers, it is all going according to plan.

Then we get the annual "benchmark revisions" by the Census Bureau – a seemingly routine matter of reweighting and checking sample reliability – and the whole world changes. It emerges not only that "sluggish" is a mild world for the US economy in the second quarter, but for the whole of the last year.

Growth previously appeared to be jogging along at a little over 2 per cent (the 3 per cent rate for the first quarter was written off as a freak of abnormally mild weather). On the new figures, the rate has been stuck at 1.2 per cent for the last full year; and if you factor out the weather distortions, which inflated the first quarter at the expense of its two neighbours, it has hardly wavered from that dismal average for a full year.

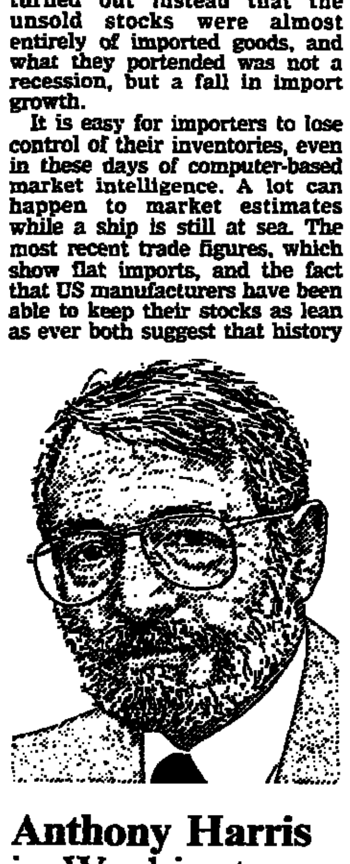
In short, as many business journalists knew in their bones all along, the economy has been flirting with recession. Watch the future revisions and an actual recession may yet appear, for they have often been bigger than the growth rate now reported.

Ironically, the US has come within a meaningless fifth of a percentage point of abolishing the budget crisis. If reported growth had been just under instead of just over one per cent, the Gramm-Rudman-Hollings restraints would have been suspended for the duration. President George Bush's lips could then have remained as read.

As it is, the private sector is looking gloomily at the prospect of higher taxes (already an *expensive fact at the state level*), and wondering with still more alarm what the inventory figures in the new Census Bureau report portend. On the face of it, they mean that the long-awaited recession has already started, and is likely to deepen. Real final sales did not grow at all in the second quarter, but fell by $6bn at 1982 values, or at an annual rate of 0.4 per cent. In other words, the whole increase in output in the quarter and a bit more – remained unsold. That suggests that orders will now be cut as distributors try to correct the overshoot – the normal inventory cycle which Federal Reserve chairman Mr Alan Greenspan claimed only last Thursday was abolished.

Wait a moment, though, before you clamber out on the window ledge. We had just the same fright about a US inventory recession in the first quarter of 1987, and it didn't happen. It turned out instead that the unsold stocks were almost entirely of imported goods, and what they portended was not a recession, but a fall in import growth.

It is easy for importers to lose control of their inventories, even in these days of computer-based market intelligence. A lot can happen to market estimates while a ship is still at sea. The most recent trade figures, which show flat imports, and the fact that US manufacturers have been able to keep their stocks as lean as ever both suggest that history



Anthony Harris
in Washington

may be repeating itself.

That is only a limited comfort, however. Consumer spending is now falling (official); the profits squeeze (and profits were also revised down on Friday) will prevent much of an investment revival; and construction is falling into the hole it has dug for *itself, as even Commerce Under-*secretary Michael Darby, the Administration's *ex officio* optimist, admits. If exports can grow fast enough to offset all this, I will be surprised.

So much for the facts. The questions they raise are these: how can the Administration or the Fed run sensible policies when their information is so unreliable? And how far do their policies matter?

The answer as far as the Administration is concerned is simple: since fine tuning is impossible under the US constitution, under which decisions take months to make, the White House can be concerned only with strategy. The Fed, however, is meant to respond to events in some sense, so bad figures do create the risk of wrong policies. Monetarists will argue that bad economic statistics don't matter, because the Fed should only be concerned with money, which it measures and can control; fine tuning of the real economy is a sin and should be illegal.

That is the apparent meaning of the anti-inflation law being proposed, albeit vainly, by congressman Stephen Neal, with Mr Greenspan's support and drafting aid. It lays down that the Fed's sole objective should be to eliminate inflation as a factor in decision-making over the next five years (a Greenspan phrase, substituted for Mr Neal's preferred target of zero inflation voiced during mountain walks at Jackson Hole, Wyoming, last year).

Monetarists may believe that this is a rule after their own hearts, but its only real effect would be to stop people blaming the Fed for the next recession. Monetary targeting is not nearly as precise as the zealots suppose. Which aggregate is the one to target? (Even the high priest, Professor Milton Friedman, switches from one to another occasionally.) What is the base date? Do you allow for distress borrowing and its double-entry results, or not? The fact is that monetary targets require judgment, like any other policy; and bad statistics make for bad judgment.

This is a pity, but it may not be a disaster. Suppose that the Fed found official figures suspect (and very possibly it did); and suppose that it had tried to set policy according to what it believed was "really" happening (and remember that we are still only guessing).

Would the market have trusted this judgment? Or would it have believed that an easy monetary policy in the face of apparently strong figures meant that the Fed had given up the fight, and frustrated any attempt to get rates down? You can bet it would.

Now suppose that the figures had been accurate from the start, so that they never needed massive revisions; and that the markets had been leading interest rates down all year, with the Fed following willingly (which is probably a sketch of a process which will start today). That is much more plausible, and much more helpful.

The dollar would now be lower, exports more buoyant, growth high and the Federal deficit less – none of them by huge amounts, but enough to help. The cure for bad figures is not to ignore the "real" (largely fictional) economy, or to adopt better policy targets, but to spend what it takes to get better figures. It is the best bargain going in public spending.

Economics Notebook: The Uruguay Round

Crying wolf on liberalisation

EVER since the Uruguay Round of multilateral trade negotiations was launched in 1986 there has never been any shortage of warnings about the dire consequences of failure.

The business world has become so used to predictions of trade conflict, subsidy wars and the disintegration of the trading system into regional blocs that it scarcely notices them any more.

Since these predictions are mostly based on assumption rather than scientific analysis, it all seems so much like crying wolf. It is certainly not a constructive way of selling the most ambitious international trade negotiation undertaken since the General Agreement on Tariffs and Trade was formed more than 40 years ago.

This is why a small section in this year's World Bank Development Report that concentrates on the actual benefits of the Round for developing countries is so eye-catching. The Bank calculates that total trade liberalisation would raise the exports of certain middle income developing countries substantially.

Those of Hong Kong would rise by 25.9 per cent, those of South Korea by 21.6 per cent, those of Yugoslavia by 14 per cent and those of the Dominican Republic by 13 per cent.

Even some poorer countries would benefit, especially those with potential in textiles. Sri Lanka's exports would rise by 20.9 per cent, China's by 13 per cent and Pakistan's by 10.7 per cent. The losers would be very poor countries, such as Somalia, which are heavily dependent on basic commodity exports and which would lose the relative advantage they now enjoy through special trade preferences.

At this stage in previous rounds, the world was awash with calculations as to what would happen in the event of liberalisation. That so few have surfaced in connection with the Uruguay Round reflects in part its unusually complex agenda as well as its still uncertain outcome.

Cutting tariffs, whose effect is relatively easy to quantify, now forms only a small part of the agenda. Quantifying the effect of liberalising trade in services, or of changing the rules on anti-dumping actions, or of eliminating non-tariff barriers such as voluntary export restraints is much harder.

Moreover, the Uruguay Round also aims to liberalise world trade in agriculture and textiles, two goals which have eluded negotiators throughout the history of the Gatt. If it were to succeed, the effect on trade flows would be far-reaching, but the change would also be so fundamental that it is very difficult to quantify.

Yet the calculations made by the World Bank also point to another, more sinister reason why top executives of large companies have been so slow to endorse studies of the potential benefits of the Round.

This is that major benefits would accrue to precisely the kind of newly industrialising economy whose exports already provoke problems in established industrial markets.

Even the advantages accruing to the Dominican Republic fit into this category, although it is not exactly a newly industrialising economy. Its main product is sugar and its development has been held back by US and EC sugar import restrictions. According to the World Bank its US import quota was reduced by 70 per cent between 1982 and 1987 while the EC was dumping excess production on world markets. As a result, the Dominican Republic had to close four sugar mills and its output plunged by 40 per cent.

All this would change if farm trade were fully liberalised, but then the powerful sugar lobbies on both sides of the Atlantic would be mightily upset. The slow pace of the Uruguay Round, which resumes its grinding toil in Geneva this morning, suggests that governments are still more frightened of such lobbies than they are of vaguely-expressed threats to the system.

There is little doubt that full-scale trade liberalisation would create opportunities for industrial countries that would help produce higher overall growth. But such benefits accrue more readily to smaller companies waiting in the wings than to those who already have their markets stitched up.

Indeed, the recent history of the car industry suggests that for many multinationals involved in manufacturing there is little to fear from the establishment of trading blocs provided that a subsidiary is nicely ensconced inside each one. Trading blocs may diminish trade flows but they generate a protection in the form of higher prices charged to consumers that looks rather attractive on the bottom line.

Last week's report by the National Consumer Council showed that lifting EC trade restrictions would reduce Japanese car prices in Europe by some 20 per cent. Japanese firms are not only making easy profits as a result of the barriers, they also allow European manufacturers to charge higher prices, producing income they would forgo in the event of liberalisation.

On this basis it would not be surprising if many companies, not only the car sector but also in others such as consumer electronics, were privately hoping that the Uruguay Round does turn out to be a flop.

Peter Montagnon

THIS WEEK

THE unemployment data in the US on Friday are expected to confirm the underlying weakness of the economy, as non-farm payrolls have continued to move downwards. As a good coincident indicator for GNP growth, this should confirm the positive outlook for shorter-dated bonds.

But the Fed should be disinclined to ease rates further as a result. Both short- and long-term inflationary pressures remain high: the heatwave, a gasoline and oil shortage and the recent rise in oil prices could help prop rates at the longer end, while the bond markets are additionally concerned about the Administration's balancing act between fighting inflation and solving the budget conundrum.

There are few important releases in the UK, where the pound has competed with falling stock prices in Japan and rising oil prices for the market's attentions. Sterling's flirtation with joining the exchange rate mechanism of the EMS has, traders feel, been too prolonged and the pound is no longer the one-way bet it once was. Analysts are judging that recent talk of a slowdown in domestic demand in the UK are premature.

The markets will also this week be assessing the economic impact of higher oil prices on the world economy.

Other notable events and statistics, with median forecasts from MMS International, the financial research company, in brackets include:

Today: US, Treasury Secretary Nicholas Brady testifies to the House Banking Committee on funding for the thrifts bail-out, the House debates increasing public debt ceiling, personal income (0.4 per cent) and consumption expenditure (0.7 per cent) for June. Japan, construction orders for June. France, final consumer price index for June (0.2 per cent).

Tomorrow: US, new home sales for June (0.2 per cent), Chicago National Association of Purchasing Managers index for July, agricultural prices for July. Canada, gross domestic product at factor cost for May (down 0.1 per cent). Japan, unemployment rate for June, wholesale price index for 11-20 July, May diffusion leading index, June construction and housing starts (2.5 per cent).

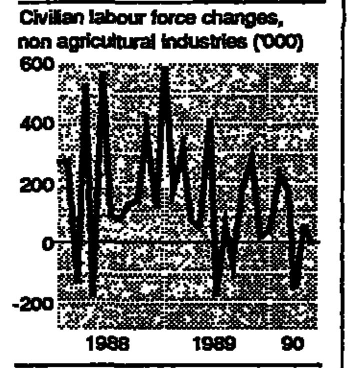
Wednesday: UK, official reserves for July ($50m) new consumer credit for June (£3.7bn). US, leading indicators for June (0.1 per cent), NAPM index (50.8). June construction spending. Australia, quarterly consumer price index (1.5 per cent). Japan, foreign exchange reserves for July.

Thursday: France, Finance Minister Pierre Bérégovoy holds press conference. US, initial claims, factory goods orders, for June (down 1.6 per cent), money supply data.

Friday: US, congress recesses for the summer, July non-farm and manufacturing payrolls, hourly earnings for July (0.3 per cent), civilian unemployment rate (5.3 per cent).

The following indicators have no definite release dates: German industrial production for June (down 0.1 per cent), June manufacturing orders, current account (DM8.2bn), trade balance (DM11.5bn).

US employment
Civilian labour force changes, non agricultural industries ('000)



**UK forecasts from DKB International, the Japanese bank*

INTERNATIONAL BONDS

Treading carefully towards full market transparency

HOW DO you make a market more transparent? That is a problem the officials in charge of the Eurobond market have wrestled with for years in the hope that greater transparency might lead to the enhancement of its reputation as an investor-friendly marketplace.

Transparency is important because it gives investors a sense that they can deal at a fair price on a spread in line with that on other, similar bonds. Put another way, they know that they are not being sold bonds away from the market price because they can see the market price.

It might seem a self-evident qualification for a serious international market, but the Eurobond market still has elements which resist fiercely the prospect of full transparency.

These elements are a throwback to *the days when the market was less* driven by institutional investors, and the disposal of sharply-priced paper was regarded as part of the game.

The argument runs that profitability is diminished in direct proportion to the visibility of price information. This is a highly dubious proposition. If transparency leads to greater confidence and turnover, returns from dealing should improve, not decline.

Much of the suspicion attached to the Association of International Bond Dealers' Trax system for trade matching comes from a concern that the price data involved might be packaged and used to provide real-time prices.

Indeed, the technology already exists for such a service. Trax could become the equivalent of a ticker tape, putting out almost instantly the price at which the last transaction in a particular bond was done.

In terms of investment decisions, this type of information has to be treated with some caution, because there are trades done in the market which can be well away from the current market price.

Such transactions are carefully monitored and regulated by the AIBD, which allows so-called special trades in certain circumstances. In general, *however, a ticker tape would be about* as close as a market could get to full transparency and would be enthusias*tically welcomed by investors.*

Small wonder the AIBD itself is treading carefully. Although its officials know the potential of the Trax system, they have to weigh the value of transparency against the wishes of the association's members.

That is why the price data currently provided by the AIBD and disseminated, for example, daily in the Financial Times, comes not from Trax, but from the council of reporting dealers.

These are the equivalent of Eurobond market-makers. They feed their bid-offer prices to the AIBD in London at the end of each day. An algorithm averages the prices to try to establish the best price for each bond.

Prices likely to be away from the market are stripped out. For example, in a sample of three or more prices on a particular bond, the highest and lowest figures are removed. The system looks for genuine price levels and, on more liquid bond issues, might be sampling up to 20 different prices. This produces a price guide which has been broadly embraced by investors, although it has to be remembered that it is only a quotation system. It is not based on actual trades, prices of which might vary considerably.

The market has taken steps itself to introduce more transparency, particularly on new issues. Until recently, *the traditional syndication method,* with its apparently straightforward fee structure, meant in practice that syndicate members could try to offload paper at prices most advantageous to themselves without investors having recourse to reliable benchmarks.

On well-priced issues, this meant the underwriters could profit by selling paper expensively to investors on the grounds that it would perform well in the secondary market.

When issues were aggressively priced, they could still accept their invitations and follow one of two paths. Either they could discount some or all of the fees to themselves and place bonds with investors at a more generous price, or they could use the inter-dealer broker market to place the paper anonymously back to the lead manager, a practice which aroused fierce controversy in 1989 and helped lead to the introduction of new syndication methods.

Ironically, broker-dealers provide a measure of transparency in that anyone willing to pay for a dealing screen can subscribe to their dealing pages and see live prices. But, again, this is is an ad-hoc and partial solution to transparency. Further, the bulk of broker-dealer business is in the new *issue market, leaving the secondary* market poorly represented.

The fixed-price re-offered method of *underwriting was intended to intro*duce more visibility to the new issue market. The idea was to fix a price at which bonds would be offered to investors, with all the underwriters working for the same fee.

Correctly used, the technique has made some parts of the market more transparent, although it has quickly reached its current limits of applicability.

Worryingly, its introduction has had the effect of creating a dual cul*ture in the market, and this threatens* to undermine the concept of market-wide transparency. While houses can point to pockets of price clarity, they can continue to disguise the murky bulk of their trades. The fact that this duality overlaps the divide between the institutional and retail markets for Eurobonds does little to help.

Transparency is not just about prices, however. It also helps if investors can relate price and volume or turnover. In an ideal market, a precise relationship between price and liquidity would exist, with the most active issues enjoying the finest dealing spreads and most competitive prices.

The provision of regular turnover statistics is a relatively recent innovation, but the trend is towards more *detailed information and that will* help investors. As with prices, Trax could provide precise figures.

At present, however, there is not much interest in turnover, partly because the information needs to be quite specific before it is of real value.

The two international clearing organisations, Euroclear and Cedel, are providing more useful turnover information. Euroclear recently changed its reporting format to give much more precise figures on the *most actively traded fixed and float*ing-rate Eurobonds, as well as different government securities.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Seiyu Ltd‡◆	*250*	*1994*	*4*	$4\frac{3}{4}$	*100*	*Nomura Int.*	4.750
Oest. Kontrollbank(d)◆	200	1995	5	9	$100\frac{1}{4}$	J.P. Morgan Secs.	8.936
Ricoh Co‡	300	1994	4	$4\frac{3}{4}$	100	Nomura Int.	4.750
Nachi-Fujikoshi Corp.‡	150	1994	4	$4\frac{3}{4}$	100	Yamaichi Int. (Eur)	4.750
Mitsui Taiyo Kobe Bank(e)◆	30	1991	1	zero	95.62	Mitsui Taiyo Kobe	4.580
Toyo Sash‡	150	1994	4	$4\frac{3}{4}$	100	Nomura Int.	4.750
Toyo Sash‡	150	1997	7	$5\frac{1}{2}$	100	Nomura Int.	5.500
Credito Italiano(k)♥◆	150	2000	8	$\frac{3}{16}$	100	Merrill Lynch Int.	-
Yuken Kogyo Co.‡	60	1994	4	$5\frac{1}{8}$	100	Daiwa Europe	5.125
Council of Europe(p)◆	20	1991	1	13	$101\frac{1}{2}$	Chase Investment Bk	11.330
CANADIAN DOLLARS							
KfW Int. Finance◆	150	1995	5	$11\frac{3}{4}$	$101\frac{1}{8}$	Dresdner Bank	11.442
Oest. Kontrollbank◆	150	1995	5	$11\frac{3}{4}$	$101\frac{1}{8}$	Deutsche Bk Cap.Mkts.	11.442
Toyota Motor Credit(j)◆	125	1995	5	$11\frac{7}{8}$	$99\frac{5}{8}$	Wood Gundy	11.979
Province of Quebec◆	250	2000	10	$11\frac{1}{2}$	98.97	Societe Generale	11.680
AUSTRALIAN DOLLARS							
Ford Credit Australia◆	*75*	*1995*	*5*	$14\frac{1}{2}$	$101\frac{3}{4}$	*Hambros Bank*	*13.990*
CIBC Australia(g)◆	50	2000	10	6	$61\frac{1}{2}$	Nikko Secs.(Europe)	13.133
D-MARKS							
Inabata & Co.‡◆	110	1994	4	$4\frac{7}{8}$	100	Nomura Bk (Germany)	4.875
Gen.Electric Cap.Corp.(b)◆	150	1997	7	(b)	$101\frac{1}{4}$	Merrill Lynch Bank	-
Daimler-Benz Int.Fin.(l)◆	200	2000	10	(l)	100.60	Deutsche Bank	-
Nationwide Anglia B.S.(m)†◆	*300*	*1995*	*5*	$\frac{1}{32}$	*100.20*	WestLB	-
Deutsche Bk Finance(q)◆	300	2000	10	(q)	100.80	Deutsche Bank	-
LIRE							
British Gas Int. Fin.◆	100bn	1994	4	$12\frac{1}{4}$	101.40	Bca.Comm.Italiana	11.791
SWISS FRANCS							
Daido Steel Sheet**§◆	91	1995	-	*5*	100	UBS	5.000
Sanyo Denki Co.**‡◆	80	1995	-	$4\frac{1}{4}$	100	SBC	4.250
Ch'oku Marine Pnts(o)**§◆	80	1995	-	3	100	Citicorp Inv. Bank	3.023
Canon Sales Co.(n)**§◆	300	1994	-	3	100	B.della Svizzera Ital.	3.000
OSG Corp.**‡◆	60	1994	-	$4\frac{1}{4}$	100	UBS	4.250
Gen. Electric Cap.Corp.◆	125	1995	-	$6\frac{3}{4}$	$101\frac{5}{8}$	Wirtschafts-und Privatbk	6.420
Montreal Trust Co.**◆	100	1995	-	$7\frac{1}{4}$	$101\frac{3}{4}$	UBS	6.825
Postipankki(h)◆	75	2005	-	$7\frac{1}{8}$	$101\frac{3}{4}$	J.H.Schroder Bank	6.934
Furukawa Co.(i)‡**◆	150	1995	-	4	100	Credit Suisse	4.000
Kubota Ltd.**◆	150	1995	-	$7\frac{1}{2}$	$99\frac{5}{8}$	SBC	7.593
LB Rheinland-Pfalz**◆	100	1995	-	7	$101\frac{1}{4}$	UBS	6.698
Uniden 21 Corp.**§	55	1995	-	5	100	UBS	5.000
Dresdner Finance◆	*150*	*1995*	-	*7*	$101\frac{3}{4}$	*Dresdner Bk(Schweiz)*	*6.578*
Ask Planning Center**§	100	1995	-	5	100	UBS	5.000
FRENCH FRANCS							
Credit Local de France◆	1bn	1995	5	10	101.72	Societe Generale	9.551
IBM Int. Finance◆	1bn	1997	7	10	$101\frac{7}{8}$	BNP	9.620
YEN							
Nordic Investment Bank(a)◆	30bn	1995	5	$7\frac{1}{4}$	100	Nomura Int.	7.250
Nissan Cap.of America(c)◆	10bn	1993	$3\frac{1}{4}$	$7\frac{1}{2}$	$101\frac{1}{4}$	Yamaichi Int.(Eur)	7.023
Skopbank◆	10bn	1993	3	$7\frac{1}{2}$	$101\frac{3}{8}$	Nippon Credit Int.	6.976
Den Norske Bank◆	5bn	1993	3	7.31	$101\frac{3}{8}$	IBJ Int.	6.788
Skopbank(f)◆	3bn	1997	$7\frac{1}{4}$	(f)	(f)	Bk of Tokyo Cap.Mkts	-
Unibank A/S(r)◆	2bn	1991	1	$9\frac{1}{2}$	$101\frac{7}{8}$	Nippon Credit Int.	7.485
Unibank A/S(r)◆	1bn	1991	1	$7\frac{1}{2}$	$101\frac{7}{8}$	Nippon Credit Int.	5.521
Banco di Sicilia◆	5bn	1993	3	7.3	$101\frac{3}{8}$	IBJ Int.	6.778
LUXEMBOURG FRANCS							
Skand.Enskilda Banken◆	1bn	1997	7	$9\frac{3}{8}$	101.90	BGL	8.998
CIBC◆	1.7bn	1997	7.2	$9\frac{1}{2}$	101.95	Bqe Paribas (Lux)	9.106

**Private placement. ♥Variable rate notes. †Floating rate notes. §Convertible. ‡With equity warrants. ◆Final terms. a) Fixed re-offer price at par. b) Coupon first 2 yrs pays $9\frac{3}{4}$%, then $15\frac{1}{4}$% minus 6-month Libor thereafter. Non-callable. c) Short first coupon pays $\frac{1}{16}$ over 3-month Libor, then $7\frac{1}{2}$% fixed thereafter. d) Fixed re-offer price. Non-callable. e) Partial amount of $20m retired end March 1991. f) Coupon pays 3-month Libor plus $\frac{1}{16}$, then 7.3% annually thereafter. Issue price not disclosed. Callable from 1995 at par and annually thereafter. Unlisted. g) Unlisted. Non-callable. h) One call only after 10 years at par. i) Callable from August 1993 at 101, then $100\frac{1}{2}$ from 1994 but only if no warrants are outstanding. j) Fixed re-offer price. k) Coupon pays $\frac{3}{16}$ over 3-month Libor. Fall back rate: years 1-5 $\frac{1}{2}$% over Libor, years 6-10 $\frac{5}{8}$% over Libor. *Non-callable. l) Coupon pays $9\frac{1}{2}$% first 3 years then $15\frac{1}{8}$% minus 6-month Libor thereafter. Non-callable. m) Coupon pays 6-month Libor plus* $\frac{1}{32}$. Non-callable. n) Put option Dec 31 to yield 5.952% (indicated at 6.007%). Non-callable. o) Put option March 1993 at $108\frac{3}{4}$ (indicated at $108\frac{5}{8}$%) to yield 6.091%. p) Dual-currency bond. Borrower option to redeem in Ecu. q) Coupon pays $9\frac{1}{2}$% first 3 years, then $15\frac{1}{8}$% minus 6-month Libor thereafter. Non-callable. r) Redemption linked to Nikkei stock index. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CREDITS

UK banks win most electricity mandates

TWO UK clearing banks, Barclays and Midland, have mopped up most of the mandates so far disclosed to finance the UK's regional electricity companies, due to be floated in November. About 18 banks are said to have been involved in a fierce bidding contest.

Official mandates are expected to be awarded in the next few days, but a number of informal mandates have already been given.

South-Eastern and Mersey*side and North Wales Electric*ity have appointed Barclays Bank, while Midland, London and South Wales Electricity have mandated Midland Bank, according to market participants. In addition, Manufacturers Hanover is believed to have received a mandate for East Midlands Electricity's financing, while National Westminster is also thought to have a mandate.

Underwriting groups will be assembled in the next two to three weeks, and syndication is *then likely to start in the sec*ond half of August.

Meanwhile, Northern and Norweb are expected to appoint banks early this week, followed by Southern and Eastern next week, bankers said.

Yorkshire Electricity is the only company which is expected to use a series of bilateral loans, instead of syndicated financings.

The syndicated financings are expected to take the form of revolving credit facilities which mature in about five years, a year after the interim reviews on electricity pricing.

The average size of the *transactions is expected to be* about £250m, but one or two of the larger companies, such as Eastern and East Midlands, are likely to raise as much as £500m.

Competition for the mandates means that the transactions will be finely priced. The fiercest pricing is expected to be a margin of 15 basis points above the London interbank offered rate (Libor), with most transactions priced at 17½ basis points to 20 basis points above Libor. The facility fees, originally expected to range from 7 to 10 basis points, are likely to be squeezed towards the lower end of that range and one is said to carry a 6¼ basis point fee. Most banks are expected to charge 7 to 8 basis points.

For such lending to prove worthwhile, banks must be hoping that secondary business will be generated on a local level.

Meanwhile, National Grid is said to be talking to five banks, including several UK clearing banks, about its financing, which could be as large as £750m. *Although National Grid* is a superior credit, the larger size of the issue and the lack of secondary business to be generated are likely to iron out any pricing differential, bankers said.

- Nationwide Anglia has established a $1bn US commercial paper programme, with First Boston and Shearson Lehman as dealers.
- Capital Holdings, the US insurance company based in Louisville, Kentucky, is raising $450m through Credit Suisse First Boston.
- Three Turkish banks completed loan financings. A $50m revolving credit for Interbank, the Turkish commercial bank, was completed by J.P. Morgan as arranger. The three-year revolver carries a margin of 50 basis points above Libor.

Türk Ekonomi Bankasi signed a $30m two-year loan agreement with Deutsche Bank Luxembourg. Deutsche Luxembourg is also the arranger of a $20m syndicated revolving credit facility for another Turkish bank, Finansbank. The one-year facility can be extended for a second and third year, subject to the lenders' consent. Interest is set at Libor plus 55 basis points *annually.*

- TGB Finance has signed an agreement for a £160m syndicated revolving credit facility with a tender panel. J. Henry Schroder Wagg is leading the transaction.

This is the first big financing for TGB, which provides stocking finance to Toyota dealerships and a range of consumer financing facilities to their clients.

The committed banks will receive an underwriting fee of 10 basis points and a margin on drawings under the committed facility for 15 basis points above Libor

Tracy Corrigan

INTERNATIONAL COMPANIES AND FINANCE

Bearish outlook for troubled Bull

Alan Cane finds the computer company sliding further into the red

Time may not be on the side of Groupe Bull, the French state-owned computer manufacturer. Today, it will report losses at the half-year stage of FFr1.88bn ($331m), almost double the budgeted shortfall.

Its plans to return to profitability include further streamlining of its workforce and an acceleration of fundamental restructuring designed to bring it into line with industry trends.

Along with other mainframe computer manufacturers, Bull traditionally makes most of its sales in the final three months of the year. However, the size of its deficit at six months makes it virtually certain that the company will be unable to return to profit in 1990.

It made overall losses of FFr267m on sales of FFr32.7bn last year, the first time it had fallen into the red in three years.

Mr Francis Lorentz, chairman, attributed last year's deficit to a combination of production difficulties at the group's Angers, France, manufacturing site – now solved – and the strength of the dollar, which pushed up the cost of components.

This year's problems were more serious, he said, because they were rooted in profound changes in the structure of the worldwide computer industry and were therefore significantly more difficult to solve.

Francis Lorentz: mainframe market essentially flat

Mr Lorentz said the company had planned and budgeted for losses of about FFr1bn at the half-way mark. There were two chief reasons for the substantially greater deficit:

- Computer shipments were less than expected because the effects of a group-wide restructuring programme, put in place at the beginning of the year to improve efficiency, had hurt sales much more than expected.

In the first six months of the year, the company streamlined its sales operations in the US, France and Italy, and began to move away from direct sales towards third party channels such as selling through dealers and software houses. It also moved towards providing computing services for its customers, placing less emphasis on sales of hardware.

The restructuring diverted executives' time and attention away from sales to a greater extent than the company had planned. Mr Lorentz thought it had cost Bull between $100m and $150m worth of sales. He said the programme was now complete.

- An industry-wide and accelerating trend towards erosion of gross margins. Mainframe computers typically command large gross margins of 60-80 per cent, which have underwritten the computer industry's expensive direct sales strategies.

But personal computers and computers based on "open systems" command gross margins of only 30-50 per cent, Mr Lorentz said. Open systems technology, which enables computers from different manufacturers easily to be connected together and to run software from different sources, is becoming increasingly popular.

Mr Lorentz said the market for mainframe computers was essentially flat; the market for personal computers and open systems was growing much faster than expected, resulting in heavy pressure on margins.

It was an especially difficult situation for Bull because it was committed to open systems and especially to computers running the "Unix" operating system. "We want to be one of the major suppliers of Unix computers," Mr Lorentz said.

What are his plans to cope with the reversal in Bull's fortunes? "We have put in place an action plan on sales, gross margins and costs to do everything we can to reach our initial goal of returning to the black this year. We will fight, but it will be very difficult."

"At the same time we have started a two-year recovery plan to be ready at the end of September. It will involve further streamlining of the organisation. By the end of 1990 we will have only about 40,500 people compared with 43,500 in 1989 and 47,000 in 1987."

The integration of the company worldwide would be speeded up to gain economies of scale through costs sharing at Bull SA; Bull HN, in which Honeywell of the US and NEC of Japan have a minority stake; and Zenith, the US-based personal computer manufacturer Bull acquired last year.

It would also move more rapidly to integrate its proprietary mainframe technology and Unix technology under the open systems banner.

Swissair profits collapse

By Our Financial Staff

SWISSAIR, Switzerland's publicly traded national airline, announced a sharp fall in pre-tax operating profit for the first half of 1990 and stepped up its cost-cutting programme.

Profit collapsed to SFr70m ($51.1m) from SFr215m a year earlier, in spite of a slight rise in revenue to SFr2.37bn from SFr2.3bn. Costs before depreciation were up 10.3 per cent SFr2.30bn against SFr2.08bn, and the airline's overall load factor was 64.6 per cent, down from 65.3 per cent.

Swissair said that, with uncertainty over how second-half traffic is likely to develop, firm forecasts on 1990 results were "extremely difficult to make."

Mr Peter Nydegger, finance chief, said the company would use management consultants to help it pare soaring costs. The airline had launched a sweeping review of operations to see where it could save money.

Customer service and security would be spared budget cuts, Mr Nydegger said. "But everything else is subject to analysis," he said. He could not rule out possible layoffs.

In a letter to shareholders, Swissair said personnel costs jumped 14 per cent in the first half. A sharp rise in jet fuel prices in the first quarter also lifted expenses, and the strong Swiss franc held down profit measured in francs.

Mr Nydegger said Swissair had hired McKinsey & Co to help it review the entire company's organisation.

PWA raises C$300m loan

By Robert Gibbens in Montreal

PWA, parent of Canada's second largest airline, has negotiated a C$300m (US$260m) loan facility with a group of banks led by Mitsui Bank to support its US$1.25bn re-equipment programme.

Canadian Airlines International (CAIL) is buying new Boeing and Airbus aircraft over the next four to five years. The programme has been trimmed back because of the slow domestic air travel market and PWA's heavy debt load following the takeover of Wardair in early 1989.

PWA said the latest loan facility completes the airline subsidiary's financing for the re-equipment programme at rates averaging between 8 and 9 per cent. Other loans have been arranged with domestic, European and other Asian institutions.

PWA has already sold most of Wardair's equipment and now plans further asset sales of C$125m, including a leaseback deal on its operations headquarters in Vancouver.

Last week PWA sold two Boeing 747-400 order positions to American Airlines for C$100m, and has delayed expansion in the Pacific area by one year.

Mr Steve Garmaise, airline analyst with First Marathon Securities in Toronto, expects PWA to post a small operating loss before aircraft sales for 1990. He estimates PWA's debt has been reduced to well below $1bn. Prospects will improve if domestic interest rates decline and the economy revives.

Cofipsa may sell stake in leading port producer

By Patrick Blum in Lisbon

COFIPSA, the Portuguese holding company controlled by Mr Carlo De Benedetti, appears set to sell its 40 per cent stake in Real Companhia Velha, one of Portugal's leading port producers.

This follows months of bitter disagreements with Mr Manuel da Silva Reis, Real Companhia's majority shareholder, over strategy.

Neither Cofipsa, nor officials from the De Benedetti group, would comment, but relations between the two major shareholders have become so embittered that one of the two will have to go, a local analyst said. This raises the possibility of Cofipsa buying out Mr Silva Reis.

Cofipsa bought its stake in the company last November in a move that was designed to encourage synergies between the Portuguese port producer and Bodegas Berberana, a Spanish Rioja wine company in which Cofir, the De Benedetti group's Spanish holding company, holds a 49 per cent stake.

Cofipsa is said to be ready to sell its stake in Real Companhia to Casa do Douro, a Portuguese para-state institution, for about Es8bn ($55m).

The news has caused an uproar among Portugal's port shippers and producers, who argue that it is inconceivable that Casa do Douro, whose main function is to regulate the port market by controlling prices, production and quality, should be allowed to become a direct competitor in the market.

Mr Manuel Pintao, president of the Associacao dos Exportadores do Vinho do Porto, the Oporto wine association, has called for the deal to be stopped.

The association is threatening to reduce substantially its purchases of wine from local producers in protest. Some 30,000 large and small wine producers are members of the Casa do Douro.

Mr Pintao says the association also will take its case to the European Court unless the decision is reversed or changed.

Software hitch delays German futures trade

By Andrew Fisher in Frankfurt

TRADING on new futures contracts on the Deutsche Terminbörse, West Germany's futures and options exchange, will have to be delayed beyond the middle of September because of teething problems with new software, the DTB said yesterday.

The trading of futures contracts on long-term West German Government bonds (Bunds) and on the 20-share DAX index was due to begin on September 10.

However, the DTB has now decided to postpone a planned simulation programme, which should have started this week alongside the existing trading of options on 14 leading German equities.

Dealings in these share options began in January. The DTB will decide next month on its new timetable for the simulation programme and the start of dealings this autumn in the two new products.

It decided on the postponement because it was unhappy with the performance of the software and wanted to give its members enough time to get used to the new programme before trading began.

Further DTB products are also in the pipeline. It plans to add a futures contract on medium-term Bunds; a DAX option; options on both DAX and Bund futures; and a futures contract on three-month D-Mark interest rates.

COMPANY NEWS IN BRIEF

BANK JULIUS BAER of Zurich said its earnings had improved considerably in the second quarter after an unsatisfactory first three months, writes William Dullforce.

Net interest income had exceeded the result for the first half of 1989, but other income items had not come up to last year's figures. Operating costs had remained below the figures budgeted for the first half.

Last year the bank, which specialises in private and investment banking, recorded a 21 per cent increase to SFr44.7m ($32.4m) in net earnings. *During the first half of* 1990 the balance sheet total rose by 21 per cent to SFr5.1bn.

■ Mass Transit Railway Corporation, which operates Hong Kong's underground rail network, reported that overall losses increased to HK$217m (US$28m) for the first half of the year from HK$160m a year earlier, writes Angus Foster in Hong Kong.

Interest and finance charges rose to HK$796m from HK$768m, while the corporation recorded a HK$2m loss on property development, compared to a HK$72m profit last time.

Fare revenue, however, rose 17 per cent to HK$1.27bn, helped in part by last year's opening of Hong Kong's second cross harbour rail and road link. Outstanding loans were little changed at HK$17.14bn, and the corporation said it is still on target to cover interest costs with operating profits in the early 1990s.

■ Co op, the troubled West German food retailer, agreed to sell its SB-Warenhaus und Fachmarkt unit to Promodes, France's second-biggest distribution group. Terms were not disclosed, but a West German financial newsletter speculated that the sale would fetch between DM220m ($135.8m) and DM300m, Agencies report.

SB consists of 47 Plaza self-service department stores in West Germany, which have annual sales of about DM2bn.

Mr Franz Wolf, Co op chairman, said the sale was a decisive step in the company's restructuring efforts. The deal means Promodes can realise its goal of entering the German market.

■ An agreement to create La Caja de Ahorros y Pensiones de Barcelona was signed on Friday, merging Spain's largest and eighth largest savings banks.

The entity, with assets of Pta5,200bn ($52.3bn) and deposits totalling Pta3,800bn, becomes easily the largest financial institution in Spain. It was formed from the merger of Spain's largest bank, La Caja de Pensiones, known as La Caixa, with La Caja de Ahorros y Monte Piedad de Barcelona.

ED&F Man to take over Chicago brokerage

By Barbara Durr in Chicago

E. D. & F. Man, the London soft commodities brokerage, is taking over GNP Commodities, a troubled Chicago-based company which faces expulsion from the futures industry. An agreement struck late last week is to be finalised today.

GNP will transfer its customer accounts and 110 employees to E. D. & F. Man International Futures and plans to cease operations.

GNP and its chairman, Mr Brian Monieson, a former chairman of the Chicago Mercantile Exchange, the world's second largest futures exchange, were ordered to be expelled from the futures industry last May and each fined $500,000 by the Commodity Futures Trading Commission (CFTC), the US industry regulator. Mr Monieson and his company are appealing against the decision.

The CFTC's ruling came after the agency found that two GNP brokers were found guilty of defrauding customers. Mr Monieson, who was not charged personally with fraud, was accused of failing to oversee properly his employees. The two brokers were also fined and expelled from the industry.

The case has caused an uproar in the futures industry because of the precedent it sets. Under this decision, big futures companies are not just fined or suspended, but can be put out of business for the wrongful activities of any of their employees.

E. D. & F. Man, known as a large coffee, sugar and cocoa broker, will be widening its range of futures business with the acquisition.

E. D. & F. Man will assume neither GNP's legal liabilities from the CFTC case nor other civil litigation against the company.

Correction

Sulzer

IN the graph accompanying Friday's article on Sulzer's marine diesel deal, the figures for Sulzer and for MAN-B & W were transposed.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Bond market's vision of recession

THE BOND market peered into the near-term future last week and thought it finally saw the prospect of impending recession.

Last Friday's ⅝ point rise in the 30-year Treasury benchmark – producing a yield of 8.48 per cent – was the rally reaction with which investors greeted the news that inflation-adjusted second-quarter GNP growth was a mere 1.2 per cent, and that 1989 overall growth had been revised downward to 2.5 per cent from a previous three per cent.

Not even the most clever spin doctors at the Bush Administration's Department of Commerce can put a gloss on these numbers, which show that the economic outlook is not only uncertain at present, but has actually been a lot worse over the past year than was acknowledged by officialdom.

"History," as the analysts at Kleinwort Benson put it, "has therefore been rewritten and the economy has been far more sluggish than previously thought."

What is more, the second-quarter GNP figure, which surely fits the popular and palliative notion of the economy being in a "low growth channel," had as much to do with inventory rebuilding as actual economic progress.

The 1.2 per cent figure was itself a drop from the 1.7 per cent GNP growth recorded in the opening quarter of 1990, a figure which in turn had been revised down from an earlier 1.9 per cent. The implicit deflator *was meanwhile 4.4* per cent in the second quarter, higher than the markets were expecting.

Also significant was the fact that final sales (GNP adjusted for swings in inventory levels) declined by an annual rate of 1.5 per cent in the second quarter, which compared with a 3.8 per cent rise in the first quarter.

The components of second quarter US macro-economic performance all point to a weaker outlook for the third and fourth quarters than has been indicated thus far by the majority of America's "Don't worry! Be happy!" economic pundits.

For example, net exports fell by $11.1bn in the second quarter. *So did business investment*, by 6.1 per cent on an inflation-adjusted basis. Consumer spending and personal income figures were also lower, although not yet sharply enough to warrant fears of an immediate slide into no-growth.

Taken together, however, last Friday's indicators imply that the coming months will be at best an iffy proposition and that the Government's latest prediction of a 2.2 per cent GNP growth rate for the whole *of 1990 may be politically* opportune, but conceivably on the optimistic side.

These gloomy statistics mean two things. Firstly, they give more backing to the "teetering on the brink of" school of American thinking; they suggest that the smartest US businessmen, bankers and institutional investors are those who are getting ready to fasten their seatbelts for a patchy 1990, a time that is likely to see more confusion and damage coming from the *still-unsolved problem of the* federal budget deficit, a spate of sectoral shake-ups, mergers, real estate bankruptcies, higher loan losses at banks and problematic profits in several key manufacturing sectors.

Secondly, as Salomon Brothers noted on Friday, the newly released national output data will strengthen the Federal Reserve's conviction that its recent easing move was appropriate. The new numbers should also reinforce the Fed's existing bias toward a further easing of rates.

The Fed funds rate, notched a quarter of a point lower to 8 per cent two weeks ago, could be headed to the 7½ per cent to 7¾ per cent range before the autumn.

The bottom line appears to be that unless there is the surge in final demand that optimists claim will come in the fourth quarter, the US economy could well approach the New Year in an even more parlous state than it now seems.

If the end of last week saw listless trading in the Treasury market turn to GNP-induced rally, the equity market seemed to wake up to the new realism as well.

What is most striking for the *observer of Wall Street* is that the makers and breakers of the Dow Jones index, as well as the Treasury yield, have waited so long to recognise the fundamental dullness of the US economy. But when one realises how widespread is the market's proclivity to short-term analyses of all sorts of indicators, be they quarterly GNP figures or earnings per share, the wishful thinking syndrome on longer term forecasts seems less surprising.

A visit to the battered real estate markets of Denver or the auto plants of Detroit certainly gives a better heartland feel for the state of the economy than would a visit to Wall Street.

Mr Alan Greenspan of the *Fed prefers the East Coast* cocktail circuit to mucking about in Middle America, and last week he was being feted on Capitol Hill and in the press as a man with political antennae so sensitive that he can squirrel his way through the most uncertain summer and autumn.

So Mr Greenspan's much vaunted instincts – both monetary and political – are expected to lead him to a gentle easing of rates before the economy sputters much fur*ther in the autumn, and this is* likely to be, quite coincidentally, in time for the November mid-term elections.

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds	8.00	8.00	7.50	9.92	7.50
Three-month Treasury bills	7.77	7.77	7.98	9.11	7.20
Six-month Treasury bills	7.79	7.84	8.00	9.37	7.18
Three-month prime CDs	8.00	8.05	8.24	10.35	8.00
30-day Commercial Paper	7.97	7.95	8.25	9.95	7.97
90-day Commercial Paper	7.85	7.90	8.17	10.05	7.85

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100 [illegible]	[illegible]	8.35	8.42	8.44
20-year Treasury	106 [illegible]	[illegible]	8.56	8.63	8.51
30-year Treasury	102 [illegible]	[illegible]	8.48	8.53	8.39

Money supply: In the week ended July 16 M1 fell $2.6bn to $807.9bn.

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	145.15	7.39	145.86	142.99	144.02
Government Bonds	142.48	7.29	143.36	140.60	142.79
Municipal Bonds	147.13	7.39	148.14	144.60	145.42
Govt.-guaranteed Bonds	149.80	7.42	150.61	146.96	147.39
Bank Debentures	142.69	7.52	143.04	140.69	140.21
Corporate Bonds	148.50	7.46	149.04	145.98	146.33
Yen-denom. Foreign Bonds	154.55	7.70	155.02	152.48	151.70
Government 10-year†	6.97	–	6.83	6.93	6.36

† Estimated par yield

Source: Nomura Research Institute

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,176.0	0.0	334.0	13,513.3
Prev	1,298.4	291.0	611.3	13,673.3
Other	1,141.3	161.7	929.7	4,916.7
Prev	1,161.3	45.3	384.3	4,912.7
Secondary Market				
US$	18,682.1	1,294.7	7,227.1	7,497.3
Prev	16,502.2	1,464.6	7,028.0	7,834.5
Other	21,648.3	1,367.9	4,289.2	48,074.9
Prev	20,107.8	1,815.5	5,077.1	36,293.7

	Cedel	Euroclear	Total
US$	17,836.9	32,887.6	50,724.5
Prev	16,792.5	31,910.8	48,703.3
Other	35,451.9	47,077.8	82,529.7
Prev	29,028.0	40,769.7	69,797.7

Week to July 26, 1990

Source: AIBD

UK GILTS

From pillar to post and back again

THE gilts market went from pillar to post last week, torn between strong and opposing forces. It closed up on the week, but in between saw some large falls and rises, mainly connected with the pound's strength or weakness and a large fall on Wall Street.

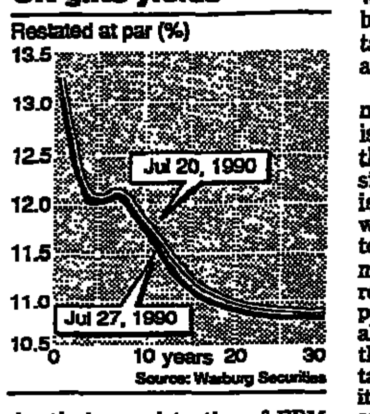
Gilts ended sharply higher on Friday, partly because of the pound's surge at the very end of the week. The Treasury 11¾ per cent 2003/2007 was up nearly a full point at 102⅞ to yield 11.36 per cent, below its peaks of the day. This came after a series of disappoint*ments, largely caused by com*ments from Mr John Major on inflation. The market was boosted by further comments from the Chancellor on the subject of early entry to the Exchange Rate Mechanism of the European Monetary System.

With the publication of Sir Alan Walters' book on Friday, one chapter in the history of Britain's sullen European courtship is now closed. But last week emphasised that in between now and entry an *awful lot can happen to* the pound and gilts, and that once in, the chain of events are by no means easily predictable.

At the moment, most analyses of the gilts market are broadly favourable because the inflation outlook is improving as the UK economy slows down. But all reveal the difficulty of deciding the key question of whether gilts are a buy or a sell at present levels. ERM entry continues to dominate calculations of inflation, interest rates, and the currency, but the timing and tactics of ERM entry are still outside the public domain.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

From the monetarist point of view, the best news of the year was provided by the apparent slowdown in M0, the narrowest measure of money in July, which economists extrapolated from figures for the *increase in* notes in circulation. Having been well above target range at 7 per cent and over, the rate of increase in M0 looks set to slide back to 5.5 per cent in July, and may be within target range next month.

Against this must be set the Government's persistent refusal to adopt a tougher attitude to domestic monetary conditions, which has been especially irksome to monetarists. Further, there are worries about the consequences of ERM entry on interest rate stability, expressed by Sir Alan while an adviser to Mrs Thatcher. David Smith, economist at Williams de Broë, the brokerage, has repeatedly warned that membership may be short if policy cannot sus*tain the* required anti-inflationary squeeze.

From the point of view of neo-Keynesian fundamentalists, who look more closely at *the movement of the* demand side of economic activity, there is a sharp dichotomy. The weakening economy looks set to provide lower inflation, but *may also* reduce government revenues, thus increasing the possibility of supply. There is also a continuing doubt over the policy decisions which will take the UK through ERM, and it is this that contributes to the often-expressed doubts about the political motivations for entry.

These doubts are reflected in the chartist view of the market, which shows the long gilt future in an ascending channel, and makes it "a cautious buy," says Brian Box of War*burg Securities.* But he points out that its behaviour should lead to considerable concern about the potential downside. Thus all three views show considerable scepticism over the future.

The EMS is not at its most stable at the moment, emphasising that joining it is not like getting under an umbrella, but rather like catching a moving train.

The strength of the Spanish peseta, boosted by high interest rates, has left the D-Mark, the guilder, and the franc bumping along at or near the bottom of the parity grid. This has led to fraught exchanges between finance ministers and central bankers, some public, on the need for interest rate cuts in the strong currency nations.

This has been taken up by some analysts as proof that EMS entry may indeed require domestically destabilising cuts in interest rates to produce currency stability. But it is just as much testimony to the strange conditions that prevail in a system based on the D-Mark as the strongest currency, when there are strong doubts over monetary conditions in Germany.

For the more internationally minded analysts, the gilts market poses a tricky problem before and after entry. After entry, yields will be below those of other EMS nations, and long gilt yields may have *to rise. Equally, the* weaknesses of the gilts market make it very unattractive to many overseas investors. "There is too little stock, there are too many market makers, the fundamentals are dodgy and there are too many quirks," said one analyst.

ERM entry will not necessarily change these views. The gilt market's uncertainties are mainly expressed in terms of the key tactical variables – the parity rate, the size of the bands and the timing of entry. There is still room for plenty of disappointment over these; but there may also be some surprises in store in terms of what entry actually means for a peripheral, *high inflation* country with an election around the corner.

Andrew Marshall

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 95	150	99½	+¼	9.06
ABN 9 1/8 94	200	100¼	+¼	9.09
AETNA LIFE & CAS 7 3/4 16	200	96¾	+¼	8.04
ALBERTA PROVINCE 7 3/8 91	750	98½	+¼	8.63
ALBERTA PROVINCE 9 3/8 95	600	101⅞	+⅛	8.92
AMERICAN EXPRESS 0 00	450	38½		9.64
AMERICAN GENERAL 9 3/4 95	100	98½	+¼	10.14
ANHEUSER-BUSCH 9 1/8 92	100	100½	+¼	8.90
ASIAN DEV BANK 0 04	1000	29½	+¼	9.08
AUSTRALIA 11 95	200	106½	+¼	9.29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OSAKA PREFECTURE 9 3/8 93	140	101½	+⅛	8.79
OSTER KONTROLLBANK 8 1/8 93	200	98½	+¼	8.70
OSTER KONTROLLBANK 9 1/8 92	200	100½	+⅛	8.66
PANASONIC CAPITAL 9 92	300	100½	+⅛	8.58
PEPSICO 7 3/8 93	200	95½	+⅛	9.15
PETRO-CANADA 7 1/4 96	200	92	+⅛	9.07
PHILIP MORRIS 9 7/8 98	200	99¼		9.90
PROCTER & GAMBLE 10 95	150	101½	+⅛	9.54
PRUDENTIAL FUNDING 7 3/4 91	150	99	+⅛	8.85
PRUDENTIAL RLTY SECS 0 99	365.216	46½		9.43
QANTAS AIRWAYS 8 5/8 96	97.75	97½	+⅛	9.19
QUEBEC HYDRO 9 3/4 98	150	101½	+⅛	9.40
QUEBEC PROV 9 98	200	98¼	+⅛	9.31
QUEENSLAND GOVT 10 1/4 95	100	103½	+¼	9.25
RALSTON PURINA 11 3/4 95	150	105½	+¼	10.14
REYNOLDS (RJ) 10 1/4 93	100	92½	+¼	13.24
SAINSBURY 9 1/8 96	150	99½	+⅛	9.14
SARA LEE 9 3/8 93	150	100	+⅛	9.36
SAS 10 99	200	101½	+⅛	9.69
SAS 10 1/8 95	150	102⅝	+¼	9.45
SASKATCHEWAN 15 92	150	110½	+¼	9.14
SEAGRAM CO 8 1/2 96	100	95	+¼	9.66
SEARS O/S FIN 0 98	500	46½		9.99
SEARS O/S FIN 11 5/8 93	150	105¼	+¼	9.62
SKANDIA INTL 7 1/4 92	200	97¾	+¼	9.03
SNCF 7 1/4 94	175	95½	+¼	8.77
SNCF 9 1/2 98	150	102¼	+¼	9.11
STATE BK STH AUST 9 1/4 93	100	100½	+¼	8.97
STATE EL VICTORIA 10 92	100	102	+¼	8.97
STATOIL 7 5/8 94	200	94½	+¼	9.36
STH AUST GOVT FIN 8 3/4 93	100	99½	+¼	8.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS				
ASIAN DEV BANK 8 94	200	96½		9.00
AUSTRIA 6 98	400	84½	−¼	8.81
CNT 6 1/8 98	200	84½	−¼	8.92
CREDIT FONCIER 6 3/4 99	500	87½	−¼	8.80
DEUTSCHE BK FIN 5 5/8 96	750	86½	+¼	8.57
EEC 5 3/8 93	350	93	+1	8.66
EIB 6 1/8 96	300	87½	−¼	8.86
EIB 6 7/8 95	300	92½	+1¼	8.68
ELEC DE FRANCE 6 1/8 98	300	85½	−¼	8.68
EUROFIMA 6 1/4 98	400	85½	−¼	8.91
FERRO DEL STAT 5 3/8 93	500	92½	+¼	8.74
IND BK JAPAN FIN 5 5/8 96	200	85		9.08
INTER AMER DEV 7 1/4 99	300	91½	+½	8.63
LUFTHANSA INT FIN 5 7/8 98	500	83½	+¼	8.86
QUEBEC HYDRO 6 3/4 99	300	86½		9.10
SWEDEN 6 1/8 98	300	85½	−¼	8.83
WORLD BANK 0 15	2000	14½	−¼	7.70
WORLD BANK 5 3/4 96	300	86½	+¼	8.82
WORLD BANK 7 1/8 95	500	94½	−¼	8.57

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	99¼	+¼	7.00
AUSTRIA 4 5/8 98	100	88¼	−¼	6.65
COUNCIL EUROPE 4 3/4 98	250	87¼	−½	6.97
DENMARK 3 3/4 91	100	97½	+½	8.04
EEC 5 1/2 00	100	98	−½	6.88
EIB 5 3/4 93	100	97		6.80
FINLAND 5 3/8 95	150	93¼		6.82
JAPAN DEV BK 5 1/2 94	100	95	−1	7.13
MOUNT ISA FINANCE 5 3/4 94	100	91½		8.45
NEW ZEALAND 4 7/8 99	200	86½		7.05
POLLY PECK INTL FIN 6 1/4 96	100	85½	+¼	9.79
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS (continued)				
CASIO COMPUTER	[illegible]	[illegible]	[illegible]	[illegible]
DAIWA HOUSE INDUSTRY	[illegible]	[illegible]	[illegible]	[illegible]
FUJITSU	[illegible]	[illegible]	[illegible]	[illegible]
HINO MOTORS	[illegible]	[illegible]	[illegible]	[illegible]
KIRIN BREWERY	[illegible]	[illegible]	[illegible]	[illegible]
MITSUBISHI EST	[illegible]	[illegible]	[illegible]	[illegible]
MITSUI REAL ESTATE DEV	[illegible]	[illegible]	[illegible]	[illegible]
NICHII	[illegible]	[illegible]	[illegible]	[illegible]
NIPPON MEAT PACKERS	[illegible]	[illegible]	[illegible]	[illegible]
NIPPON OIL	[illegible]	[illegible]	[illegible]	[illegible]
SUMITOMO CHEM	[illegible]	[illegible]	[illegible]	[illegible]
TOYO SASH	[illegible]	[illegible]	[illegible]	[illegible]
TOYOTA MOTOR	[illegible]	[illegible]	[illegible]	[illegible]
UNITIKA	[illegible]	[illegible]	[illegible]	[illegible]
YAMANOUCHI PHARM	[illegible]	[illegible]	[illegible]	[illegible]
BOND WARRANTS	Expiry Date	Bid price	Chg on week	Ex Yield
GMAC 8 3/4 95 B	[illegible]	[illegible]	[illegible]	[illegible]
LASMO 9 1/2 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MCDONALDS 8 10 93	01/01/93	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on July 27

Lafarge may take stake in Redland joint venture

By Andrew Taylor, Construction Correspondent

LAFARGE COPPEE, the large French building materials group and the world's second biggest cement producer, is involved in talks which could lead it to take a stake in one of only three plasterboard manufacturers in the UK.

The manufacturers are currently involved in a bitter battle for market share in the UK. Two of them, BPB and Knauf of West Germany, are also involved in plasterboard price wars in West Germany and France.

Lafarge, also involved in the French price war, is understood to have begun negotiations which could lead it to purchase a share of a plasterboard joint venture in the UK between Redland, the building materials group, and CSR, an Australian building materials and resources group.

The Redland/CSR joint venture only began manufacturing in the UK, in competition with BPB and Knauf, last year. Until two years ago BPB, Europe's biggest plasterboard manufacturer, had a virtual monopoly of the UK market.

The introduction of Knauf and Redland/CSR into the UK plasterboard market has led to a substantial increase in manufacturing capacity when new housebuilding, one of the product's biggest users, has fallen sharply in Britain.

CSR recently announced substantial provisions to cover losses at the plant it operates jointly with Redland at Bristol. The factory opened less than a year ago.

Lafarge is the second largest plasterboard manufacturer in France behind BPB. The French group had previously signalled its intention to expand its European plasterboard interests.

Plasterboard, which has good insulating properties and is easy to work with, is widely used in the UK for the inner walls of homes. It is also increasingly being used in commercial property development and is expected to become one of the fastest growing markets for building materials in Europe over the next decade.

The battle to win greater market share, however, has led to substantial increases in European manufacturing capacity which for the next few years seems likely to run ahead of increases in demand.

Waverley Cameron tumbles to £1.4m

By Clare Pearson

PRE-TAX profits of Waverley Cameron, where interests in stationery, office furniture and marketing services have been put together since Mr James Gulliver took control in 1988, almost halved from £2.71m to £1.43m in the 12 months to end-March.

However, an unchanged 0.7p final dividend maintains the total at 1p.

A slackening in consumer demand for office furniture combined with higher interest rates hit Waverley, where Mr Gulliver's vehicle Sanda Investments holds 40.4 per cent of the shares, during the year.

Mr Sandy Bremner, finance director, said the office products distribution business, Ronald Martin Groome, had not been throwing up stable profits, to fund the younger parts of the group, in the way envisaged when Waverley bought it two years ago.

Last year it accounted for 32 per cent of group operating profits of £2.76m, down from 44 per cent of the previous year's total of £3.21m.

Mr Bremner said a significant cost reduction programme, to bring overheads into line with now-expected sales' levels, had been started.

Interest costs rose sharply to £1.33m (£499,0000). Turnover was £51.42m (£45.35m).

Ferrari warns on first half

Directors of Ferrari Holdings, the USM-quoted provider of computer systems and services, warned shareholders that the company was expected break even for the first six months of the current year.

They blamed this on various acquisitions which had taken longer than anticipated to integrate and the difficult economic background.

However, they said the balance sheet remained sound and that they anticipated improved results for the second six months. Mr Peter Marshall has been appointed group chairman.

Grampian Holdings A$2m purchase

Grampian Holdings has acquired Heriot Agvet Proprietary and the business and certain assets of the Heriot Agvet Trust, both of which are located in Melbourne, Australia, for A$1.98m (£862,000) cash.

Of the consideration $1m was paid on completion.

Heriot and Heriot Trust had a combined turnover and pretax profit of $3.93m and $521,000 respectively for the year ended June 30 1990. Net assets at that date were $387,000.

Prospect rises

Prospect Industries, engineering concern, returned profits of £267,000 pre-tax for the four months ended March 31. Turnover was little changed at £2.5m.

The company came to market in December 1989 and the figures compare with £200,000 for the same period of the previous year. There is a first interim dividend of 0.1p.

Dollar fall hits Independent nav

Net asset value for Independent Investment Company fell to 66.65p at June 30 compared with 75.34p a year earlier. The company said that the main reason was the fall in the dollar against the pound.

Net revenue for the year to the end of June came out at £241,000 (£999.000) for earnings per share of 0.26p (1.05p). Gross income was lower at £2.18m (£2.59m) and interest and expenses was higher at £1.76m (£1.19m).

There is a single final dividend of 0.25p, against 0.75p which included a special payment of 0.5p.

Gibbs Mew falls to £1.5m

A lower contribution from its property side left USM-quoted Gibbs Mew showing reduced taxable profits of £1.52m, against £1.88m, in the year to March 31.

The figure included a £1.4m (£1.22m) contribution from the brewing side, offset by £1.13m (£1.81m) from property disposals and a £494,000 (£653,000) surplus from Bridger Properties. Group turnover was £17.6m (£17.51m).

Earnings were 22.96p (29.29p) and a final dividend of 3.75p makes a 6.75p (6p) total, including a property development dividend of 1p (1p).

Blueprint for a subtle change of culture

Charles Leadbeater on the effects on staff of Fujitsu's proposed takeover of ICL

IF STAFF at ICL, the UK computer manufacturer, are expecting hoards of Japanese managers to arrive in their offices following Fujitsu's takeover they will be disappointed.

For judging by the standards of other Japanese takeovers of British manufacturing companies, Fujitsu should take a sensitive approach to its new acquisition.

Managers of British companies sold to Japanese bidders report a subtle mix of changes to the way they do business.

Japanese owners rarely arrive with a blueprint for radical reorganisation. They generally adopt an evolutionary approach which relies upon indigenous management to introduce changes gradually. Only in time does this generate a momentum which changes the character of a company's culture and performance.

It is only recently that Japanese companies emerged as significant bidders in the UK. Most Japanese investment in the UK has been in greenfield sites – particularly in electronics and vehicle assembly.

Japanese investment in the UK rose significantly last year, with 41 investments – up from 33 in 1988. The number of Japanese companies with plants in Britain rose rose to 132.

However, in the last couple of years the Japanese have adopted a more flexible approach to expansion into the UK by using acquisitions as well as greenfield investment.

According to a recent report by Acquisitions Monthly, Europe may soon overtake the US as the main market for Japanese takeover activity. Japanese companies have made 81 acquisitions in Europe since 1988, with 23 this year. Most of the deals have been in the UK.

Since the start of 1988 Japanese companies have spent more than £2bn acquiring 24 British companies, compared with 22 West German acquisitions worth £347m and 12 Spanish deals worth £101m.

This growth in acquisitions is unlikely to turn into a flood. Japanese buyers are generally cautious. They want to thoroughly vet a company before they buy it. This means they are often slower than competitors to make a formal bid in an auction.

Their reliance on keeping local managers in place also means they strongly favour agreed bids.

However, it seems likely that the number of Japanese acquisitions in the UK will increase as more of that country's companies invest in the run up to the creation of the single European market in 1992.

They are attracted to the UK by the relative familiarity of the management, accountancy and legal practices. One of the main attractions of an acquisition is to buy an established distribution and sales network, as well as a manufacturing base.

Fujitsu's £740m deal with ICL will dwarf previous manufacturing acquisitions such as Nippon Seiko's £203m takeover of UPI, the bearings maker, and Nippondenso's signal of its ambitions in European automotive components through the purchase of IMI Radiators.

Mr Elfed Lewis, managing director of IMI, which has been renamed ND Marston, says of the takeover: "It has been totally beneficial. We are in the mainstream of Nippondenso's business rather than on the periphery of IMI's our old parent. We will be the cornerstone of its expansion into Europe."

There has been no flood of Japanese technicians and managers arriving at its plant at Shipley, West Yorkshire. They only come over in response to requests for help with changes to manufacturing processes. There has been no rationalisation of production or imposition of working practices such as quality circles.

Nevertheless, there are already the first signs of a subtle change of culture. Mr Lewis says: "Instead of four profit forecasts a year we submit two. Instead of an annual plan for three years ahead, we do one strategic plan which is in place for three years. There is more stability and more long term planning."

Mr Ian Sloss, manufacturing director at SP Tyres in the Midlands, which Sumitomo Rubber Industries acquired from Dunlop in 1985, concurs that Japanese owners put much more stress than the British on methodical, analytic planning before they take a decision.

The Japanese have influenced SP Tyres in two ways, partly through a handful of managers and engineers at the West Midlands headquarters.

Firstly, they have changed the company's culture by setting bold goals – particularly to adopt a more communicative, participative approach to employees. According to Mr Gerry Radford, the company's managing director, the Japanese owners have facilitated changes in approaches to training which would have been unthinkable under British owners.

Secondly, they work away at detail. Three young Japanese production engineers tour the factory constantly suggesting minor improvements to such things as plant layout, production systems and waste management.

Fujitsu may arrive with a blueprint to change ICL overnight. But it is much more likely to set in train a sustained change which will take perhaps five years to work.

At the end of it, however, ICL is likely to be a very different kind of company.

RECENT JAPANESE ACQUISITIONS IN THE UK

Target	Activity	Bidder	Date	Value(£m)
Inter-Continental	hotels	Saison	Sep 88	1350
United Precision	bearings	Nippon Seiko	May 90	301
Guinness Mahon	merchant banking	Bank of Yokohama	May 89	94
Aquascutum	clothing	Renown	Apr 90	74
Apricot	computer hardware	Mitsubishi Elec	Apr 90	39
IMI Radiators	car radiators	Nippondenso	Nov 89	25
Llanelli Radiators	car radiators	Calsonic	Jun 89	15
Baker Perkins	bearings	Mineba	Jan 88	9

Employees put on guard about talking to the press

By Michael Skapinker and Ian Hamilton Fazey

A LARGE handwritten notice confronted ICL employees at Stevenage last week as they left their building for lunch explaining what they should do if approached by a member of the press.

The notice recommended that they tell reporters that STC, ICL's parent, had issued a statement to the Stock Exchange saying that Fujitsu of Japan had made an approach to take over the company and that this was being considered.

Employees should say they understood the reasons for the approach, that they supported it and were not prepared to indulge in speculation.

"You understand the reasons for it and you support it," one employee told another, as they stepped out into the sunshine. "You're being told what to think."

ICL staff have their own thoughts about the takeover, of course, even if they would rather not have their names appended to them.

Their views do not appear to differ markedly, however, from those suggested to them by their employers.

"I'm quite happy with the takeover. I've got shares in STC, so I don't mind," one administrative employee said. "I just don't think we're big enough to compete in Europe on our own."

A fellow-employee agreed that there was no future for medium-sized companies like ICL. "In this business you've either got to be small and specialised or large and flexible," he said.

A member of the marketing staff wasn't convinced, however, that ICL was too small to continue on its own.

"Our turnover is a large proportion of the turnover of STC." He added: "It's a shame that we won't be in British hands, anymore, but it's really only a change of shareholder rather than a complete takeover."

Others agreed that being owned by Fujitsu was unlikely to affect their day-to-day work.

"I should imagine Fujitsu will manage ICL as a going concern," a Stevenage employee of STC said. "Fujitsu needs our sorts of services," added a member of ICL's networking services team.

ICL staff said they had not been told much about the proposed takeover.

Most of their information had come from the press. "So far we've heard nothing officially," one employee said. "There's been a lot of speculation for some time that this was going to happen. We understand now that it will happen soon."

At ICL's works at West Gorton in Manchester, staff had also been warned about talking to the press.

"I want to have a long career with this company and I am not going to jeopardise it by saying anything," one employee said. Many, however, said they thought they would have long careers with Fujitsu.

One person who was prepared to talk about employee reaction was Mr Jim Warhurst, who was a financial manager and senior software specialist with ICL for nine years.

He is now a financial analyst with Henry Cooke Lumsden, the Manchester-based stockbroker, and remains in close touch with former colleagues.

"I can't think that Fujitsu would be anything other than welcome," he said. "It could only be good news because it assures the future and will almost certainly mean more jobs, not less.

"The general view among people I know is that it could not really be anyone other than Fujitsu. Things have worked well between the two companies before.

ICL is moving towards becoming a systems integrator and this is probably the best way to do it.

"While it may maintain a mainframe business, eventually the world will reach a stage where you can use anyone's box to run your software on.

All forms of hardware are increasingly becoming commodity items.

The real utility is in the system itself and the software. This is where ICL and Fujitsu want to move."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alpine, Automated Security, Grahams Rintoul Inv. Trust, Molins, STC. Securicor, Security Services, Updown Inv.

Finals- Ashtead, Cooper Clarke, Merrydown Wine, YRM.

FUTURE DATES

Interims-	
BOC	Aug. 9
Expamet Intl.	Aug. 14
Guardian Royal Exchange	Aug. 30
HTV	Oct. 9
Unilever	Aug. 10
Wickes	Aug. 8
Williams Hldgs.	Sep. 5
Finals-	
CSC Inv. Trust	Aug. 9
Union Square	July 31
Wholesale Fittings	Aug. 10

FT Share Service

Additions: Lucas Industries Warrants (Section: Motors).

Deletions: Pacificorp (Americans).

Sock Shop (Drapery & Stores).

Triefus (Industrials).

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	Northern Bank Ltd	15
Adam & Company	15	Cyprus Popular Bk	15	Nykredit Mortage Bank	15½
Allied Trust Bank	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Allied Irish Bank	15	Duncan Lawrie	15	R. Raphael & Sons	15
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Udbank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Meghraj Bank Ltd	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£50,000 + instant access 13.7% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

FINANCIAL TIMES STOCK INDICES

	July 27	July 26	July 25	July 24	July 23	July 20	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	79.71	79.07	78.99	79.53	79.43	N/A	84.20	74.13	127.4	49.18
Fixed Interest	88.28	88.08	88.08	88.38	88.23	88.06	92.91	85.80	105.4	50.53
Ordinary	1842.1	1851.5	1865.7	1866.7	1867.1	1898.1	1968.3	1653.6	2008.6	49.4
Gold Mines	187.1	188.9	188.2	184.7	182.6	181.9	378.5	167.9	734.7	43.5
FT-Act All Share	1148.93	1154.80	1162.86	1160.91	1159.41	1176.37	1226.83	1043.16	1238.57	61.92
FT-SE 100	2330.1	2344.1	2364.7	2360.9	2359.7	2400.1	2463.7	2103.4	2463.7	986.9

DIARY DATES

FINANCIAL

TODAY
COMPANY MEETINGS-
Aspley, The Westbury, Bond St. at Conduit St., Mayfair, W., 12.00
BAA, Great Room, Grosvenor House, Park Lane, W., 2.30
Central & Sherwood, The Rotunda, The Mirror Building, Holborn Circus, EC., 11.00
Charter Consolidated, Pepys Suite, The London International Press Centre, 76, Shoe Lane, EC., 12.00
Cranswick Mill, The Bell Hotel, Driffield, North Humberside, 11.30
Norcros, King George III Room, The Brewery, Chiswell St., EC., 12.00
Oxford Instruments, Eynsham, Oxford, 11.00
Riva, Lloyds Merchant Bank, 40/66, Queen Victoria St., EC., 10.30
TR Property Investment Trust, Mermaid House, 2, Puddle Dock, EC., 12.30
United Guarantee, The City Club, 19, Old Broad St., EC., 4.00
Whitecroft, 51, Water Lane, Wilmslow, Cheshire, 12.00
BOARD MEETINGS-
Finals:
Ashtead
Cooper Clarke
Merrydown Wine
YRM
Interims:
Alpine Group
Automated Security
Graham Rintoul Inv. Trust
Molins
STC
Securicor
Security Services
Usdown Investment
DIVIDEND & INTEREST PAYMENTS-
600 Group 3.74p
Airtours 1.5p
Boots Finance 2% Exch. Red. Prf £5 1pc
Do 6% Cnv. Cap. Bds. 2005 3pc
Canadian Imperial Bank Of Commerce Fltg. Rate Debs. 2084 $430.20
Canadian Pacific 23cts
Do 4% Non-Cum. Prf. £ Stg. ¼p
Do 4% Non-Cum. Prf (Interch. Trans.) £ Stg. ¼p
Do 4% Non-Cum. Prf $C ¼p
Courtaulds 8p
De La Rue 10p
Dow Chemical 65cts
Ciga 1.5p
International Paper 9⅞% Notes 1994 4.6875pc
Nationwide Anglia Building Society 3¾% Index-Linked Loan Stock 2021 2.3806pc
Northern Rock Building Society Fltg. Rate Notes 1992 £192.44
Portsmouth & Sunderland Newspapers 5.64p
Property Partnerships 4.1p
Rowland Overseas Funding 16% Gtd. Notes 1993 8pc
Regalian Properties 2.6p
Shanks McEwan 14.3p
Storehouse 9% Cnv. Uns. Loan Stock 1992 4.5pc
Telefonica de Espana Pta30
Unigate 9.6p
TOMORROW
COMPANY MEETINGS-
Anglesey Mining, The Carreg Bran Hotel, Llanfair P.G., 10.00
Estates & Agency Holdings, Institute Of Directors, 116, Pall Mall, SW., 12.00
Hogg Robinson, The Boswell Room, London Press Centre, 76, Shoe Lane, EC., 10.30
Microtec, The Founders' Hall, 1, Cloth Fair, EC., 12.00
Sterling Industries, Cayzer House, 1, Thomas More St., E., 12.30
BOARD MEETINGS-
Finals:
Lister
Prior
St Modwen Properties
Sutherland Hldgs
Union Square
Interims:
Chrysler
Mount Charlotte Invs.
National Westminster Bank
Whitegate Leisure
DIVIDEND & INTEREST PAYMENTS-
Aegis 5.5% Cnv. Cum. Red. Prf 1999 2.75p
Airflow Streamlines 10% Cum. Prf 5p
Airsprung 3.18p
Allied Irish Banks Subord. Prim. Cap. Perp. FRN $234.79
Anglo-Eastern Plantations 1p
Bank of Montreal Fltg. Rate Debs. Series 3 1990 $225.21
Bank of Nova Scotia Fltg. Rate Debs. 2000 £290.05
Beattie (James) 6% Cum. Prf. 2.1p
Beazer 8½% Cnv. Uns. Ln. Stk. 2000 4.25pc
Benalls 5½% Cum. Prf. 1.925p
Bristol & West Building Society Fltg. Rate Notes 1993 £384.91
British Dredging 8% Uns. Ln. Stk. 93/98 4pc
British Petroleum 8% Cum. 1st Prf 2.8p
Do 9% Cum. 2nd Prf 3.15p
Campbell Soup 25cts
Chase Manhattan Overseas Bank Fltg. Rate Notes 1993 $43.05
Citicorp Banking Gtd. Fltg. Rate Subord. Cap. Notes 30/10/98 $225.21
Do. Gtd. Fltg. Rate Subord. Cap. Notes 30/1/97 £225.21
Collateralised Mortgage Secs. (No 4) Mortgaged Backed FRN 2027 £135.73
Corton Beach 7.5p (Net) Cnv. Cum. Red. Prf 3.75p
Cranswick Mill 3.7p
Crystalate Hldgs 2.2p
Davies & Newman Hldgs 3.5p
Dewhirst Group 9.75% Cum. Prf 4.875pc
Dickie (James) 1.0125p
Die Erste Osterreich Spar-Casse Subord. Fltg. Rate Notes Jan. 1997 $430.50
Dunton 5p (Net) Div. Cnv. Cum. Red. Prf 2.5p
Dunedin Income Growth Trust 11.5% Deb. Stk. 2016 5.75pc
Elswick 8% Cnv. Cum. Red. Prf. 92/94 4p
English & Scottish Investors 11% Deb. Stk. 2014 5.5pc
Essex Water 3.5% Prf. Stk. 1.75p
Do. 2.45% Perp. Prf. Stk. 1.225p
First National Finance 6.3% Cnv. Cum. Red. Prf. 3.15p
Fleming Japanese Inv. Trust 5% Cum. Prf. 1.75p
Do 4½% Deb. Stk. 85/90 2.25pc
Flexello Castors & Wheels 1.67p
Fobel International 8% Uns. Loan Stk. 89/93 4pc
Foseco 8¼% Red. Cum. 2nd Prf 4.125p
Do. 10% Uns. Ln. Stk. 90/95 5pc
Granada 7.5p (Net) Cnv. Prf 3.75p
Great Southern 6.75p Cum. Cnv. Red. Prf. 3.375p
Guildhall Property 6⅞% 1st Mort. Deb. Stk. 90/95 3.4375pc
Halifax Building Society Fltg. Rate Loan Notes 1995 (Series A) £66.10
Hanover Druce 0.5p
Hartstone 1.25p
Haslemere Estates 10½% 1st Mort. Deb. Stk. 2016 5.25pc
Hopkinsons 5.25% Cum. Prf 2.625p
House of Fraser 6% Uns. Ln. Stk. 93/98 3pc
Do 8¼% Uns. Ln. Stk. 93/98 4.125pc
IMI 8% Uns. Ln. Stk. 85/90 4pc
INVESCO MIM 9% Cnv. Uns. Ln. Stk. 95/2000 4.5pc
Iceland (Republic Of) 14½% Ln. Stk. 2016 7.25pc
Italian International Bank Fltg. Rate Notes 1991 $438.70
Italy (Republic Of) Fltg. Rate Notes 1997 $437.47
Kleinwort Charter Inv. Trust 1.2p
Land Securities 10% 1st Mort. Deb. Stk. 2030 5pc
Lewis (John) Properties 9¼% Mtg. Deb. Stk. 92/97 4.625pc
Liberty 6% Cum. Prf 2.1p
Do 9.5% Cum. Prf 4.75p
Linread 8% Uns. Ln. Stk. 87/92 4pc
Lowe's Companies 10cts
Lynton Prop. & Reversionary 10¼% 1st Mtg. Deb. Stk. 2017 5.125pc
M & G High Income Fund Inc. Units Subdivision 13.330p
Macallan-Glenlivet 7% Cum. Prf 3.5p
Malaysia 10¾% Ln. Stk. 2009 5.375pc
Marley 6½% Cum. Prf 2.275p
McKechnie 6% Cum. Prf 2.1p
Mid Kent Holdings 5p
Monks Inv. Trust 4.2p
Murray Ventures 11¼% Deb. Stk. 01/96 5.55pc
National Australia Bank Fltg. Rate Notes 1997 $436.79
New Zealand Inv. Trust 1.5p
Owen & Robinson 8½% (Net) Cnv. Cum. Red. Prf 4.25p
PHH Corporation 30cts
Pentos 13½% Uns. Ln. Stk. 1830 (Series A) 6.75pc
Polly Peck Intl 6% Cum. Cnv. Red. Prf 3p
Pressac Hldgs 10.5% Cum. Prf 5.25p
Prestwich Hldgs. 7¼% Cnv. Cum. Red. Prf 3.625p
Principal Hotels 11% Cnv. Uns. Ln. Stk. 94/98 5.5pc
Ratners 6.75p Cnv. Cum. Non-Vtg. Red. Prf 3.375p
Reject Shop 2.1p
River Plate & General Inv. Trust 3p
Royal Bank of Canada Fltg. Rate Debs. 2005 $75.00
S & U Stores 31½% Cum. Prf 1.96875pc
SCE Corporation 68cts
Sale Tilney 5% Red. Cum. Non-Ptg. Prf. 1.75p
Scottish Eastern Inv. Trust 9¾% Deb. Stk. 2020 4.875pc
Do 12⅜% Deb. Stk. 2012 6.1875pc
Scottish & Newcastle Breweries 7% Cnv. Cum. Prf 3.5p
Shires Investment 5.5p
Smith New Court Cnv. Cum. Red. Prf 3.25p
Smith & Nephew 5½% Cum. Prf. 1.925p
Smiths Industries 11¼% Deb. Stk. 95/2000 5.625pc
Speyhawk 3.5p
Summer International 0.5p
Do 15% Cum. Red. Prf. 7.56p
Do. 7.5p (Div.) Cnv. Cum. Red. Prf. 3.75p
Sunleigh 1.25p
TMC P.I.M.B.S. First Financing £392.07
TR High Income Trust 1.4p
Do. Subscription Shares 1.5p
TR Property Inv. Trust 0.85p
Tarmac 8¾% Uns. Ln. Stk. 4.375pc
Temple Bar Inv. Trust 7% Cum. Prf. 2.45p
Tesco 4% Uns. Deep Discount Ln. Stk. 2006 2pc
Throgmorton Trust 7¼% Cum. 1st Prf 2.5375p
Tinsley Robor 4.5p
Tootal 7¾% Uns. Ln. Stk. 93/94 3.875pc
Tor Inv. Trust 8p
Do 5½% Deb. Stk. 85/90 2.75pc
Toronto-Dominion Bank 19cts
Transamerica 48cts
Transport Development 12½% Uns. Ln. Stk. 2008 6.25pc
Trimoco 0.8p
USF & G 75cts
Wells Fargo Fltg. Rate Sub. Notes 2000 $75.58
Do Fltg. Rate Sub. Notes 1992 $75.33
Western Ground Rents 3¼% 1st Mtg. Deb. Stock (56/91) 1.625pc
Westland 1.25p
Wolseley 3.1p
Do 7% Deb. Stk. 86/91 3.5pc
Do 10% Deb. Stk. 90/95 1pc
WEDNESDAY AUGUST 1
COMPANY MEETINGS-
Aberfoyle, The Petersham Hotel, Nightingale Lane, Richmond-Upon-Thames, 11.30
Alpine Group, Holiday Inn, Holiday St., Birmingham, 3.00
BCP, 9th Floor, City Centre Tower, 7, Hill St., Birmingham, 10.00
CML Microsystems, Pontlands Park, West Hanningfield Road, Great Baddow, Essex, 12.00
Cropper (James), Burneside Mills, Kendal, 10.30
Ensor Holdings, The Chimney House Hotel, Congleton Rd., Sandbach, Cheshire, 2.30
Halma, Abraham Lincoln Room, The Savoy Hotel, Savoy Place, The Embankment, WC., 12.00
In Shops, Messrs. Wragge & Co., 10th Floor, Bank House, 8, Cherry St., Birmingham, 12.00
Racal Telecom, The Savoy Hotel, Strand, WC., 12.30
Turnbull Scott Holdings, General Council Of British Shipping, 30/32, St. Mary Axe, EC., 12.00
BOARD MEETINGS-
Finals:
Dale Electric
Embassy Property
Interims:
Abbey National
Cowie (T)
DIVIDEND & INTEREST PAYMENTS-
Acal 3.12p
Allied London Properties 10% Cum. Prf 5p
American Information Tech 70cts
American Telephone & Telegraph 33cts
American Trust 5% Cum. Prf Stk. 1.75p
Aquascutum 7½% Cum. Ptg. Prf 2.625p
Attwoods 3.25p
BBA 5% Cum. Prf. 1.75p
BLP 8p (Net) Cnv. Cum. Red. Prf 4p
Beckenham 1.5p
Bell Atlantic 68cts
Bollsouth 67cts
CALA 4% Cum. Red. Prf 1.4p
CH Industrials 3.825p
CSR 24cts
Charter Consolidated (Reg.) 13p
Do (Br.) 13p
Consolidated 4% Loan 2pc
Corton Beach 0.7p
Dalgety 4.85% Cum. Prf 2.425p
Dover Harbour Board 4¾% 2nd Red. Deb. Stk. 78/93 2.375pc
Drayton Consolidated Trust 4½% Perp. Deb. Stk. 2.25pc
Dunedin Income Growth Trust 3½% Cum. Prf. Stk. 1.75p
Electric & General Inv. 7¼% Deb. Stk. 87/91 3.625pc
Elliott (B) 3.1p
F & C Smaller Companies 6% Deb. Stk. 85/90 3pc
Fleming Mercantile Inv. Trust 3.5% Cum. Prf Stk. 1.75p
Do. 2.8% Cum. Prf. Stk. 1.4p
Foreign & Colonial Inv. Trust 6¼% Deb. Stk. 87/92 3.125pc
Do 5% Deb. Stk. 85/90 2.5pc
Gold Fields of South Africa Cnv. Red. Cum. Prf 30.35568p
Govett Strategic Inv. Trust 5% Cum. Prf. 1.75p
Hawker Siddeley 5½% Cum. Prf 1.925p
Hopkinsons 2.5p
Jenners, Princes Street, Edinburgh 10% Cum. Prf 5p
Law Debenture 3.85% Cum. Prf 1.925p
Lewis (John) 5% 1st Cum. Prf. Stk. 1.75p
Do. 7% Cum. Prf. Stk. 2.45p
Lincoln National 65cts
Manchester Corporation 1891 3% Red. Stk. 1941 (Or After) 1.5pc
Merchants Trust 4½% Cum. Prf Stk. 1.625p
Metropolitan Water New River 3% Deb. Stk. 1.5pc
Murray Income Trust 1.88p
NYNEX 114cts
Newcastle & Gateshead Water 4% Cons. Deb. Stk. 2pc
Do 5% Cons. Deb. Stk. 2.5pc
Do 8% Red. Deb. Stk. 92/94 4pc
Do 10% Red. Deb. Stk. 92/94 5pc
Do. 11½% Red. Deb. Stk. 2004 5.75pc
Next 6% Cum. Prf. 2.1p
Do 7% 'A' Cum. Prf 2.45p
Do 10% 'B' Cum. Prf 1.75p
Nicol 63cts
Pacific Telesis 50.5cts
Phoenix Timber 1.66p
Polly Peck Intl 6% Cnv. Uns. Ln. Stk. 03/08 4.5pc
Quebec Central Railway 1st Mtg. Deb. Stk. 2pc
Shell Transport & Trading 7% 2nd Prf (Cum.) 2.45p
Slough Estates 7½% 1st Deb. Stk. 85/90 3.75pc
Southwestern Bell 69cts
Turchmark 35cts
US West 50cts
Walker Greenbank 6½% Cnv. Cum. Red. Prf 3.25p
Westpool Inv. Trust 5% Deb. Stk. 85/90 2.5pc
Whitbread Inv. 6½% Deb. Stk. 87/92 3.25pc
Whitbread & Co. 4½% 2nd Cum. Prf. Stk. 1.575p
Witan Inv. 2.7% Cum. Prf 1.35p
Do 6¾% Deb. Stk. 00/05 3.375pc
Young & Co's Brewery 9% Cum. Prf. 4.5p
Do 4.2% Cum. Prf Stk. 2.1p
THURSDAY AUGUST 2
COMPANY MEETINGS-
ACT, The Garden Suite, Birmingham Botanical Gardens, Westbourne Rd., Edgbaston, Birmingham, 12.00
Bradford Property Trust, Victoria Hotel, Bridge St., Bradford, West Yorkshire, 12.00
Brown & Tawse, Liberty House, 105, Bell St., Reigate, Surrey, 12.00
Edbro, Royal Garden Hotel, W., 11.30
GEI International, The Savoy Hotel, Strand, WC., 12.00
Sterling Publishing, 24, Upper Brook St., W., 11.00
Tams (John), North Sheffield Hotel, Stoke-On-Trent, 12.00
UMECO, The Bear Hotel, Hungerford, Berkshire, 12.00
United Industries, Post House, Braunstone Lane East, Leicester, 12.00
Volex, The Holiday Inn, Crowne Plaza Midland, Peter St., Manchester, 11.30
BOARD MEETINGS-
Finals:
London & New York Conv. Trust
Interims:
Anglo & Overseas Trust
F & C Enterprise
Fairway (London)
Midland Bank
Noble Raredon
TI Group
DIVIDEND & INTEREST PAYMENTS-
Bristol & West Building Society Fltg. Rate Notes 1994 £389.11
CPU Computers 0.62p
CST Emerging Asia Trust 0.35p
Company Of Designers 0.25p
Continuous Stationery 2.8p
RPH 7⅝% Uns. Ln. Stk. 87/92 3.8125pc
FRIDAY AUGUST 3
COMPANY MEETINGS-
Gresham House, 36, Elder St., E., 11.00
Rowe Evans Investments, Founders' Hall, No 1, Cloth Fair, EC., 12.00
WB Industries, Moat House, West Bromwich, 12.00
BOARD MEETINGS-
Finals:
Hughes Foods
Interims:
AMS Industries
Investment Trust of Guernsey
DIVIDEND & INTEREST PAYMENTS-
Anglo American Corporation of South Africa 240cts
Do 6% Cum. Ptd. Stk. 3cts
Anglovaal 62cts
Do. N Ord. 62cts
BHH 2p
Ball (AH) 4.55p
Bradford Property Trust 1.7p
Brown Shipley Holdings 7.5p
Brown (N) 3.675p
CML Microsystems 2.3p
Century Oils 4.25p
Cupid 3p
Dwyer 1.5p
Folkestone & District Water 7% Max. Ord 3.5pc
Do. 4.9% Max. New Ord 2.45pc
Do 3.5% Max. Ord 1.75pc
Do 4.9% Max. Ord (1953 Issue) 2.45pc
General Motors Accept Corporation Canada 13% Notes 3/8/94 6.5pc
Harrison Industries 5p
Heath (CE) 18.375
Heavitree Brewery 0.6p
Do. 'A' Limited Voting 0.6p
London Scottish Bank 0.875p
Middle Witwatersrand (Western Areas) 4cts
Pegasus 3.5p
Polly Peck International 8p
Do. Ord. (Restricted Transfer) OUT 8p
Randfontein Estates Gold Mining 60cts
Southnews 3.2p
Treasury 8½% Stock 1994 4.25pc
Unilock Holdings 2.6p
Watson & Philip 3.1p
Zandpan Gold Mining 11.5cts

Trade fairs and exhibitions: UK

Current
Sun & Swimwear Exhibition (071-973 6401) (until July 31)
Marriott Hotel, London

August 2-5
N.E.C. August Fair for Connoisseurs and Collectors of Antiques (021-780 4171)
Birmingham

August 12-14
Medium to Top Range Women's Clothing Exhibition - PREMIER COLLECTIONS (081-742 2828)
NEC, Birmingham

August 16-19
Antiques Fair (071-873 6401)
Kensington Town Hall

August 18-19
Town & Country Show (0775 820243)
Harrogate Showground

Aug 30-Sep 1
Telecommunications Industry Association Trade Exhibition (071-262 2886)
Manchester G-Mex Centre

September 2-6
International Autumn Fair (081-855 9201)
Olympia

September 2-9
International Exhibition and Air Display (071-839 3231)
Farnborough

September 4-6
Water and Environmental Management Exhibition and Conference (071-973 6401)
Exbn & Conf Centre, Glasgow

September 12
Women in Business Exhibition (081-688 9966)
Fairfield Halls, Croydon

Overseas exhibitions

August 12-15
International Office Technology Exhibition - OFFICE TECHNOLOGY COMMUNICATIONS (071-486 1951)
Melbourne

August 19-22
International Video & TV Equipment Fair - VIDEO EXPO (021-455 9600)
Sao Paulo

September 1-5
Jewellery, Gold, Tableware, Clocks and Gifts Exhibition - BIJORHCA (071-221 3660)
Paris

September 2-8
International Autumn Fair (0375 392222)
Leipzig

September 9-12
International Upholstery Fabrics Trade Fair - DECOSIT (0363-860870)
Brussels

September 9-12
International fashion Fair - IGEDO (071-625 4506)
Dusseldorf

Business and management conferences

August 6-10
SIGGRAPH 90- Computer graphics and inter-active techniques (Chicago 312-644 6610)
Dallas Convention Centre

August 12-14
Frost & Sullivan: Business intelligence - How to gain hospitality and retain a competitive advantage (071-730 3438)
Brighton

August 17
Management Training Consultants (Leicester): How to identify staff training/development needs (0533 826062)
Rochester

August 28
CareerTrack International Inc: How to achieve more each day - strategies in time management (0908 669346)
Bristol

August 28-30
Financial Times Conferences: World aerospace and air transport (071-925 2323)
Hotel Inter-Continental, London

September 4
CBI Conferences: Alternative ways to filling jobs (071-379 7400)
Centre Point, London

From September 3rd
TRADE FAIRS, EXHIBITIONS AND CONFERENCES
Details will be appearing as paid -for announcements.
For full details please telephone:
James Burton on 071 407 5632 or 071 873 3218
or write to him at
The Financial Times
Number One Southwark Bridge
London SE1 9HL

CONSTRUCTION CONTRACTS

£32m Dunfermline hospital

KIER BUILDING has won a £32m contract to build a hospital in Dunfermline, Scotland. The company believes that this will be the first district general hospital in Britain to be constructed by the design and build method.

The 390-bed hospital, for the Fife Health Board, is designed to be the best equipped and most modern of its kind in Scotland.

The time saving advantages of the design and build approach means that Kier Building is already on site. In fact, Kier's project manager was on site within a few days of the letter of acceptance having been received from the Fife Health Board.

The hospital is due for completion in February 1993 and the first patients will be admitted in the spring of that year. Kier Building, the major building contracts arm of the Beazer Group, is based at Sandy in Bedfordshire.

Major motorway development projects

Contracts totalling £15.8m for major reconstruction and maintenance work on two sections of the M6 motorway, and a section of the M4 motorway have been awarded to **BALFOUR BEATTY CIVIL ENGINEERING.**

A £5.6m contract has been awarded by Warwickshire County Council, acting on behalf of the Department of Transport, for the reconstruction of the Rugby to Castle Bromwich section of the M6 at Junction 3, north of Coventry.

The scope of work comprises reconstruction of the carriageways, verges and central reservations, re-waterproofing the underbridge decking, installation of joints, and concrete repairs. Work has to be completed in time for the Birmingham Motor Show in September.

Under a £6.6m contract awarded by the Department of Transport, the company will carry out major maintenance work between Junctions 8 and 10 of the M6 Motorway, north of Birmingham.

The project includes overlaying the motorway on Fullbrook Embankment, concrete repairs and replacement of all surfacing, waterproofing, central reservations and concrete verges at the 1.6km long Bescot Viaduct. The 24-week contract also includes replacement of lighting columns and safety fences.

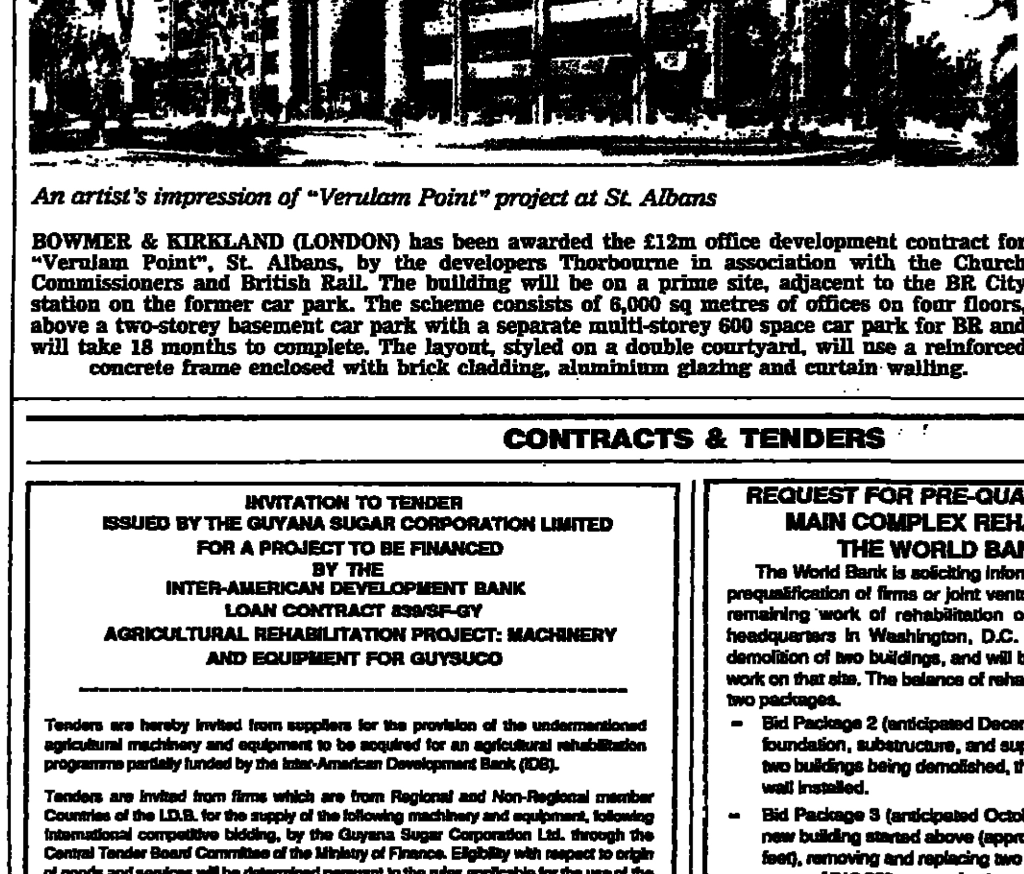
South Glamorgan County Council, acting on behalf of the Welsh Office, has awarded a £3.6m contract to reconstruct and overlay 5km of the M4 motorway. The Castleton to Thornhill stretch, north of Cardiff, will have 40,000 sq metres renewed and 150,000 sq metres overlaid, on the east and west carriageways. The contract period is 19 weeks.

Urology centre at Middlesex Hospital

A £4.5m contract to create a 37,000 sq ft urology and nephrology centre at the Middlesex Hospital, London W1 has been awarded to **MOWLEM MANAGEMENT** by Bloomsbury Health Authority.

Spread over four floors of the Victorian building, the unit will provide seven new wards, a 20-station kidney dialysis unit, utility areas, offices and rest rooms for medical staff.

The hospital was closed for four weeks during May so that major demolition and stripping out could be undertaken. Work has started on the building services installation which includes new tank rooms and water treatment plant at roof level as well as basement plant rooms and storage. Completion is due in September 1991.



An artist's impression of "Verulam Point" project at St. Albans

BOWMER & KIRKLAND (LONDON) has been awarded the £12m office development contract for "Verulam Point", St. Albans, by the developers Thorbourne in association with the Church Commissioners and British Rail. The building will be on a prime site, adjacent to the BR City station on the former car park. The scheme consists of 6,000 sq metres of offices on four floors, above a two-storey basement car park with a separate multi-storey 600 space car park for BR and will take 18 months to complete. The layout, styled on a double courtyard, will use a reinforced concrete frame enclosed with brick cladding, aluminium glazing and curtain walling.

Shrewsbury by-pass scheme

EDMUND NUTTALL has been awarded Contract 1 of the A5/A49 Shewsbury by-pass by the Department of Transport. Valued at £23.86m, the project involves 13.2km of new road, including both single and dual carriageways and 13 bridges. The works will take two years to complete.

The site is located to the south and west of Shrewsbury and consists of a new trunk road by-pass that crosses the River Severn at Mountford, passes below the Shrewsbury to Welshpool railway line and then over both the Rea Brook and the Shrewsbury to Hereford railway line. The work includes four roundabout trunk road junctions, a single separated trunk road junction, several other major/minor junctions and two side road diversions.

The main carriageway works comprise 9.8km of dual carriageway and 3.4km of single carriageway road. In total some 1m cu metres of earthworks will be excavated; 540,000 cu metres being re-used as fill.

Channel Tunnel drainage work

LAING INDUSTRIAL ENGINEERING AND CONSTRUCTION has been appointed by Trans Manche Link to undertake mechanical works for the Channel Tunnel project. The £6.9m contract is to install permanent drainage and firewater piping in the UK sector of the Channel Tunnel.

The three-year contract involves installing three 400mm diameter drainage lines and one 250mm diameter firewater line in the service tunnel, all pipework in the connecting passages between the service and running tunnels and all piping in the service ducts.

APPOINTMENTS

Joining Wellcome boards

Mr Keith Merrifield and Mr James Cochrane have joined the boards of WELLCOME and The Wellcome Foundation from August 1. Mr Cochrane was president, Northern Europe, of Bristol-Myers Squibb, and becomes responsible for Wellcome's operations in Europe, and for Calmic International. Mr Merrifield was managing director of Wellcome International Trading. He becomes responsible for international operations and Wellcome Environmental Health.

■ MORGAN GRENFELL (SCOTLAND) has appointed Mr David Birrell as a non-executive director. Until recently he was senior partner at Dundas and Wilson.

Mr Ian Black *(pictured)* has been appointed group managing director of WILSON (CONNOLLY) HOLDINGS, Northampton, following the death of Mr Michael Robinson. Mr Black, who joined the company as finance director in 1979, was appointed commercial director in 1988 with a view to taking over on the retirement of Mr Robinson, who died in an accident in Portugal last month.

■ TRAFALGAR HOUSE companies Willett and Cementation Construction have appointed Mr Barry Lanning and Mr Peter Roberts as associate directors.

■ LUCAS AEROSPACE has appointed Mr Pracheesh Mathur as director, Asia-Pacific. He was with General Electric Aircraft Engines of the US.

■ FEDERAL EXPRESS LOGISTICS has appointed Mr John Wallington as a human resources director covering the four operating companies in the logistics division. He was customer operations director with Whitbread and Co.

Mr Richard Jagger *(pictured)* has been appointed marketing director of CLUGSTON CONSTRUCTION. He was with glass manufacturer Glaverbel in Brussels.

■ Mr Simon Purser has been appointed as a non-executive director of McCARTHY & STONE. He is chief executive of Buckland Corporate Finance, Plymouth.

■ Mr Ian Fraser has been appointed to the board of LANDIS & GYR BUILDING CONTROL (UK) as finance director. He was financial controller of Liebert.

Mr Anthony Watson *(pictured)* has been appointed operations director at BIRMINGHAM INTERNATIONAL AIRPORT from July 30. He was with BAA at Heathrow as operations planning and policy manager.

CONTRACTS & TENDERS

COMPANY NOTICE

LEGAL NOTICE

RENTALS

WORLD STOCK MARKETS

AUSTRIA

FRANCE (continued)

GERMANY (continued)

ITALY (continued)

SWEDEN

BELGIUM/LUXEMBOURG

NETHERLANDS

SWITZERLAND

DENMARK

NORWAY

SPAIN

SOUTH AFRICA

FINLAND

ITALY

FRANCE

GERMANY

JAPAN

AUSTRALIA (continued)

HONG KONG

AUSTRALIA

MALAYSIA

SINGAPORE

CANADA

TORONTO

Closing prices July 27

MONTREAL

Closing prices July 27

INDICES

NEW YORK

DOW JONES	July 27	July 26	July 25	July 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2898.51	2920.79	2930.94	2922.52	2999.75 (16/7)	2543.24 (30/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.28	91.05	91.01	90.86	95.04 (3/1)	88.48 (2/5)	—	—
Transport	1134.67	1142.15	1141.61	1137.96	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.35	203.16	202.65	200.39	236.23 (2/1)	200.20 (25/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2938.37 (2945.79) Low 2877.72 (2888.12)

STANDARD AND POOR'S

	July 27	July 26	July 25	July 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	353.44	355.91	357.09	355.79	368.95 (16/7)	322.98 (30/1)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials (latest)	418.96	421.50	425.11	421.71	437.37 (16/7)	371.92 (30/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	27.67	27.94	27.97	27.53	31.67 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	193.32	194.55	195.10	194.45	201.13 (16/7)	178.43 (30/1)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	355.49	356.33	356.95	353.51	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	442.59	445.45	445.45	442.56	469.60 (16/7)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Jul 20	Jul 13	Jul 6	year ago (approx.)
Dow Industrial Div. Yield	3.64	3.62	3.71	3.47

	Jul 25	Jul 18	Jul 11	year ago (approx.)
S & P Industrial div. yield	2.94	2.67	2.90	2.90
S & P Indl. P/E ratio	16.95	17.29	17.13	14.22

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Citicorp	2,899,700	20¼	- ½
Philip Morris	2,871,350	46⅝	- ⅝
Mobil	2,811,700	64½	- ½
Merrill Lynch	2,747,300	23½	- ½
Banner Aer	2,066,100	14	—
Wal-Mart Stores	2,039,900	31½	- 1¼
Eli Lilley	1,912,600	80½	+ ⅞
IBM	1,845,300	111¼	- 1⅜
Pinnacle W Cap	1,662,200	18⅝	+ ⅝
Boeing	1,517,800	59¼	+ ⅛

TRADING ACTIVITY

† Volume Millions	July 27	July 26	July 25
New York	150.325	155.040	164.047
Amex	11.238	11.529	10.518
NASDAQ	(u)	136.063	141.604
Issues Traded	1,981	1,992	1,972
Rises	531	701	897
Falls	923	775	574
Unchanged	527	516	501
New Highs	25	38	28
New Lows	72	71	61

CANADA

TORONTO	July 27	July 26	July 25	July 24	1990 HIGH	1990 LOW
Metals & Minerals	3310.70	3329.70	3339.33	3289.12	3453.05 (4/1)	2850.80 (23/4)
Composite	3542.00	3543.49	3554.41	3547.64	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1840.71	1841.10	1851.70	1850.91	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday July 27 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	13.1m	515	+4
Sanyo Kokusaku	12.8m	765	+50
Kurabo Ind	8.7m	1,130	+10
Nippon Lgh Mtl	8.0m	1,170	+20
NKK	7.7m	530	-4
Honshu Paper	7.4m	3,640	+150
Fuji Heavy Ind	6.9m	777	+28
Mitsu Hvy Ind	6.8m	900	-20
Matsushita Com	6.4m	4,030	+50
Mitsui Mng&Smlt	4.9m	830	-21

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income						
American Income	6	49 03	49 51	52 66	5.20	40020
Gilts & Fixed Inc	6	105.4	105 4xd	111 9	9.88	40021
High Inc Equity	6	134.6	138 3xd	147.0	8.32	40022
Worldwide Bond	6	184 7	184 7	196 0	6.98	40023
Capital Growth						
American Growth	6	176.6	176.6	188.5	1.23	40024
Asian Pacific	6	146 4	149 6	159 1	0.00	40025
Assets & Earnings	6	157 0	160 7	170 9	2.84	40026
Capital Reserve Acc	0	93 72	93 72	93 91	7 60	40007
Capital Reserve Inc	0	78 77	78 77	78 93	7 60	40902
Commdy & Energy	6	90.53	92 98	98 88	2.80	40028
1992 Enterprise	6	62 98	64 26	68 36	1 96	40197
Euro Capital Acc	6	103 5	105 0	111 6	0 89	40029
Euro Capital Inc	6	99 37	100 7	107 1	0 89	40194
General	6	177 8	181 4	192.9	2 59	40013
Japan	6	96.83	96.81	103 5	0 00	40014
Managed	6	89 92	90 92	95 10	1 56	40015
UK Growth Acc	6	175 3	181 1	194 2	2 95	40033
UK Growth Dist	6	114 6	119 6	127 2	2 55	40034
US Emerging Cos	6	56 08	56 08	59 97	0 00	40035
Income & Growth	6	301.5	303 3	328 1	5.12	40036
Ethical	6	47 97	49 14xd	52.37	1.91	40037
International	6	60 56	61 32	65.23	0 77	40037
Dividend & Growth	6	47 36	48 42xd	51 51	4.37	40037

Abtrust Management Ltd (1200)H
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580

[illegible]

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 3RD 0742 529888

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
British Tst	6	62 14	62 62	66.97	3.06	40979
(Accum Units)	6	64 62	65.11	69 64	3 06	40980
Capital	6	106.6	106 6xd	114 0	2.60	40981
(Accum Units)	6	156 9	156.9	167.8	2.60	40982
European Growth	6	158.6	158.6	169 1	0 83	40985
(Accum Units)	6	195 6	195.6	208.4	0.83	40986
Extra High Inc	6	63.83	65 09xd	69 62	7.29	40967
(Accum Units)	6	93 14	95.00	101.6	7.29	40968
Gilt & Fxd Int	4	47.43	47.43	49.53	9.60	40969
(Accum Units)	4	102 0	102.0	106.5	9.60	40970
High Yield	6	198 1	201 2	215 2	5.67	40971
(Accum Units)	6	401 6	407.9	436.3	5.67	40972
Income	6	243.7	246.6	263.7	4.62	40973
(Accum Units)	6	448.8	454.0	485.6	4 62	40974
Intl High St UT	6	58.50	58.50	62.57	1.51	40975
(Accum Units)	6	60 70	60 70	64 92	1.51	40976
Japan Growth	6	306.4	306 4	327 8	0.00	40977
(Accum Units)	6	322.1	322.1	344.9	0.00	40978

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Japanese Gwth	5¼	152.21	152.21	162.80	0.01	44529
PEP Gwth & Inc	5¼	58.92	59.12	63.23	2.64	40793
Asian Smlr Mkts	5¼	51 61	52.36	56 00	1.41	40110

Phillips & Drew Unit Managers Ltd (1400)F
14 Finsbury Square, London EC2A 1PD 071-628 6070

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
UK Exempt July 26	½	104.4	104.4	106 7	5.7	46944
Charities Intl July 20	¼	117.2	117.2	119.3	2.7	46940

Pilgrim Unit Trust Mngmt Ltd (0830)F
39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ
Administration & Dealing:
Unit Trust Accounting & Management Ltd
1 White Hart Yard, London SE1 1NX 071-407 5966

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American	6	45.31	45.81	48.74	0.40	43998
European	6	47.01	47.14	50.15	0 00	44002
Global	6	46.20	46.68	49.66	0.48	44003
Pacific	6	46.31	46.65	49.63	0 00	44006
UK Income & Growth	6	46.38	46.75	49.74	0.4	44011

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John s Sq, London EC1M 4AE 071-251 6767						
Capital	5	52 25	52 48xd	55 82	—	47874
Overseas	5	46.75	47 07	50 07	—	43776
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq, London W1M 7HF 071-493 7262						
Dealing 071-493 8545						
American Opps	5	55 06	55 83	59.54	0.19	41506
(Accum Units)	5	56.66	57.45	61.27	0.19	41507
European Opps ♣	5	77 38	77 80	82.98	0 00	41508
(Accum Units) ♣	5	77 81	78 23	83 43	0 00	46366
Far Eastern Opps	5	133 96	134 23	143 17	0 00	41509
(Accum Units)	5	134 82	135 09	144 09	0 00	41510
Golden Opps	5	32 94	32 94	35 12	0 00	41511
(Accum Units)	5	33 88	33 88	36 13	0 00	46367
Intl Hi-Yield	5	59 00	59 15	63 09	4 36	41512
(Accum Units)	5	64 31	64 48	68 77	4 36	46368
Sanyo Japan Tst	5	70 49	70 49	75 17	0.00	41513
(Accum Units)	5	70 49	70 49	75 17	0.00	41514
Kangaroo	5	30 05	30 05	32 04	1 30	41515
(Accum Units)	5	31 38	31 38	33 46	1.30	46369
Little Dragons	5	47 20	47 47	50 22	0 00	43157
(Accum Units)	5	47 20	47 47	50 22	0 00	43158
Oriental Income	5	34 93	34 93	37 23	4 70	41516
(Accum Units)	5	39 86	39 86	42.48	4.70	41517
Tiger	5	149 85	149 85	159 83	0 69	41520
(Accum Units)	5	152 71	152 71	162 88	0 69	41521
UK Hi-Yield	5	40 55	40 55	43 24	5 29	41522
(Accum Units)	5	47 45	47 45	50 60	5.29	46302
UK Opps	5	55 68	57 44	61 42	0 69	41523
(Accum Units)	5	60 67	62 59	66.93	0 69	41524
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House Tower Road Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	94 54	95 48	102 64	4 00	47962
Cash Deposits ♥		100 23	100 23	100 23	14 30	44079

	Bid Price	Offer Price	Yield Gross	City-line
Phillips & Drew Fund Management Ltd				
Small Co's July 4	796.9	804.9xd	4 45	41138
Do Accum	830.9	883.5xd	4.45	41139
Int Expt July 26	182 5	185.5	2.5	41140
UK Index July 4	1122	1144xd	4 45	46945
Do Accum	1171	1193	4.3	46946
Convertible July 23	91.39	93 6	7 9	46938
World ex UK Index July 23	785 5	796.1	1.84	47887
Do Accum	785 5	796 1	1 84	47888
Japan Index July 23	642.9	652.3	0 4	47881
Do Accum	644 2	653.5	0.4	47882
USA Index July 23	879.4	885.1	3 2	47885
Do Accum	892.6	898.3	3.2	47886
Europe ex UK Index July 23	998.0	1022	2.3	47879
Do Accum	1014	1038	2.3	47880
Pacific ex Jap Index July 23	932 2	958.1	4 6	47883
Do Accum	951.7	978 0	4.6	47884
Managed Exempt July 26	98 65	100.2	4 6	40338
NM Rothschild Asset Management Ltd				
NC Managed	58.0	61.8xd	3.85	40339
NC Property	179.5	196 5	—	41205
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	146 4	148 0	3.24	44085
Stewart Ivory & Co Ltd				
Saints PPP June 20	266 5	280 6	0 00	41422
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt July 16	107 33	112 18xd	3 69	46975
(Accum Units)	109 15	114 09xd	3.69	46976
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1275	1290	2 07	47801
TR Exempt Nth Amer.	926	940	3 45	47802
TR Exempt Pac Basin	932	946	1 34	47803

INSURANCES

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-line
Henderson Administration – Contd.				
Pension Funds				
UK Equity	316.0	333 6	—	42493
Fixed Interest	196 7	207.6	—	42494
Special Sits	280 7	296 3	—	42495
N American	145.1	153 2	—	42496
Far East	332.3	350 8	—	42497
Managed	291.9	308.1	—	42498
Prime Res	203 9	214 2	—	42499
Deposit	205 9	216 8	—	42500

	Bid Price	Offer Price	Yield Gross	City-line
Liberty Life Assurance Co Ltd				
Station Rd, New Barnet 081-440 8210				
Sel Sec A	41.10	43 27	—	42771
Managed	33.79	35.57	—	42772
Equity	29.44	31.00	—	42773
Blue Chip	44.55	46.90	—	42774
Special Sits	34.23	36 04	—	42775
International	43 92	46.24	—	42776
European Fund	14.17	14.92	—	42777
American	22.45	23.64	—	42778
Pacific	40.79	42.94	—	42779

	Bid Price	Offer Price	Yield Gross	City-line
Merchant Investors Assurance Co Ltd – Contd.				
MI Gar European	202.4		—	42968
MI Gar British Gwth	190 7		—	42970
MI Gar Global	149.6		—	42971
MI Gar Special Sits	125.3		—	46015
MI Gar Smaller Co's	163 5		—	42973
MI Gar Australian	80 6		—	42974
MI Gar Int Sel Opps	112.6		—	46736
MI Gar UK & Int Rec	99.9		—	46741
MI Gar Euro Sel Opps	143 4		—	46726

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	Bid Price	Offer Price	Yield Gross	City-line
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 3JS 0603 683966				
NUAM Funds				
Managed Fund	66.8	70.3	-	43191
Equity Fund	71.3	75.1	-	43193
International Fund	60.3	63.5	-	43194
European Fund	74.1	78.0	-	43195
North American Fund	59.5	62.4	-	43196
Pacific Fund	65.4	68.8	-	43197
Property Fund	87.1	91.7	-	43198
Fixed Interest Fund	51.5	54.2	-	43199
Index Linked Sec Fund	57.2	60.2	-	43200
Deposit Fund	64.1	67.5	-	43201
NUAM Retirement Plans				
Mixed Fund	72.7	76.5	-	43202
UK Ordinary Share Fd	83.3	87.7	-	43203
International Fund	64.0	67.3	-	43204
Property Fund	65.7	69.2	-	43205
Fixed Interest Fund	60.9	64.1	-	43206
Index Linked Sec Fund	60.3	63.4	-	43207
Deposit Fund	73.7	77.5	-	43208
NUAM (NPI)				
Managed Fund	941.4	991.0	-	43209
Equity Fund	1951.2	2053.9	-	43210
International Fund	159.2	167.6	-	43211
Property Fund	550.9	579.9	-	43212
Fixed Interest Fund	386.0	406.4	-	43213
Index Linked Sec Fund	58.2	61.3	-	43215
Deposit Fund	263.4	277.3	-	43216
Norwich Union Life Insurance Soc.				
Surrey Street, Norwich NR1 3NG 0603 622200				
Unitised Life				
With Profits Fd	103.07	108.49	-	47620
Managed Fd	92.03	96.87	-	47615
UK Ord Share Fd	94.41	99.37	-	47619
International Fd	89.69	94.35	-	47613
European Fd	105.38	110.92	-	47611
North American Fd	88.60	93.36	-	47616
Pacific Fd	82.38	86.72	-	47617
Property Fd	100.01	105.28	-	47618
Fixed Int Fd	92.93	97.83	-	47612
Intl Bond Fd	88.39	93.04	-	47614
Deposit Fd	103.68	109.13	-	47610
Unitised Pensions				
With Profits Fd	134.91	142.01	-	43216
Managed Fd	146.24	153.93	-	43217

	Bid Price	Offer Price	Yield Gross	City-line
Providence Capitol Life Assc. Co Ltd – Contd.				
Individual Pension Funds				
UK Equity Acc	225.7	238.1	-	43454
UK Fixed Interest Acc	189.2	199.6	-	43455
Intl Equities Acc	256.0	270.1	-	43456
UK Managed Acc	189.9	199.6	-	43457
Property Acc	212.9	224.6	-	43458
Security Acc	144.1	152.1	-	43459
Special Market Acc	264.3	278.9	-	43460
Japan Equity Acc	184.5	194.7	-	46761
North American Acc	172.2	179.0	-	43462
Pacific Acc	201.2	212.3	-	43463
Technology Acc	167.4	177.0	-	43464
Natural Resources Acc	105.7	111.5	-	43465
European Acc	146.1	154.2	-	43467
Residential Prop Acc	106.7	112.6	-	43468
Swiss Equities Acc	42.0	44.4	-	43469
Hong Kong Acc	46.4	49.5	-	43470
UK High Inc Eq Acc	74.5	78.6	-	43471
Int Fixed Interest Acc	53.2	56.1	-	46410
Int Managed Acc	62.9	66.4	-	46411
Group Pension Funds				
Equity Acc	852.5	878.9	-	43473
Fixed Interest Acc	558.7	576.0	-	43474
Managed Acc	1133.6	1236.2	-	43475
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				

	Bid Price	Offer Price	Yield Gross	City-line
Royal Life Insurance Ltd				
New Hall Place, Liverpool L69 3HS				
Royal Shield Fd	645.9			
Royal Life (Unit Linked Assurances) Ltd				
Managed Fund	262.7			
Equity Fund	348.0			
Property Fund	224.1			
International Fund	328.9			
Gilt Fund	223.2			
Money Fund	172.1			
United States Fund	140.9			
Pacific Basin	212.1			
Royal Life (Unit Link.) Pension Fds				
Exempt Man Fd Acc	306.6			
Exempt Equity Fd Acc	581.9			
Exempt Prop Fd Acc	325.7			
Exempt Intl Fd Acc	479.5			
Exempt Gilt Fd Acc	244.1			
Exempt Money Fd Acc	214.2			
Royal Liver Assurance				
Royal Liver Building, Liverpool				
UK Equity	40.9			
Global Equity	42.9			
High Yield	53.4			
Intl Equity	55.9			
Fixed Interest	49.2			
Money	51.9			
Managed	57.5			
Pensions				
UK Equity	63.2			
Global Equity	67.2			
High Yield	52.8			
Intl Equity	56.3			
Fixed Interest	53.5			
Money	67.9			
Managed	59.7			
Save & Prosper Group Ltd				
28 Western Rd, Romford RM1 3LB				
Bal Inv Fd	569.8			
Deposit Fd	286.3			
Gilt Fd	319.5			
Global Equity Fd	171.9			
Property Fd	91.0			
Equity Pens Fd	157.7			

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Fidelity International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

MEL Britannia International Ltd

NM Life Assurance Intl Ltd

Premium Life International Ltd

Providence Capitol International Ltd

Royal Life Intl. Ltd.

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Beyer Wallis & Partners Ltd

Cazenove Law & Company Ltd

James Campbell & Son Financial Services

Chase de Vere PLC

Clifton Financial Mgmt Ltd

Drummond Moores Plc

Edinburgh Young Management Ltd

Fairmount Sims Reis Ltd

Hambros Fd Mgrs (CI) Ltd

Gartmore Fund Managers Ltd

Hinton Hill (L & P) Ltd

Hortmeister Financial Services (Pty) Ltd

I.P.S. Lamont plc

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Macartney & Dowie F.S. Ltd

Marsh Financial Management PLC

Northam Bings & Partners

PBR Fund Management Ltd

Pelley & Co PLC

Roxborough Financial Management Ltd

Rutland Inv Mkg & Inv Grp ("RIMIG")

Sharp (Albert E) & Co.

Siltala Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

Westcourt Asset Management Ltd

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Cigna International Fund Mngrs (CI) Ltd

Brolund Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

N. C. G Island Fund

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	Yield Gross	City-line
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dllr)	$11.73	12.47	–	47318
Mngd Portfolio (Stlg)	£4.74	5.03	–	47319
Baring Currency Fund Ltd				
US Dollar		$14.27	–	44754
Sterling		£17.10	–	44755
Deutschemark		DM37.33	–	44756
Japanese Yen		Y3,753	–	44757
Managed	$37.95	39.84	–	44758
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr119.4	119.9	–	44873
Dumenil Asset Management (Guernsey) Ltd				
Dumenil Enterprise Fund Ltd				
PCFC Selective Gwth Fd.	£1.2171	1.2858	–	47332
Fipart-Conseil Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd	SFr8.65	8.70	3.79	46845
John Govett Mngmnt International Ltd				
Govett Int'l Mngd	£0.972	1.050	–	45139
Govett High Inc Gilt	£0.3439	0.3662	14.20	45140
Govett Far East Inv.	$1.161	1.241	–	45141
Energy & Resources	$0.770	0.823	–	45142
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$11.0363	11.7422	–	43785
Havelet Throgmorton Mngmnt Ltd				
Intl Inv-Stlg High Inc	£9.924	10.445xd	10.09	47649
Intl Inv-Intl High Inc	$48.621	51.245xd	5.54	47648
Henderson Admin. (Guernsey)				
Price Res Portfolio	£0.908	–	–	45225
Balanced Gwth $ Prtflo	$2.171	2.337	–	45226
Balanced Gwth £ Prtflo	£1.299	1.393	–	45227
Select Mkts $ Prtflo	$2.221	2.378	–	45228
Inc & Gwth $ Prtflo	$1.833	1.952	–	45229

	Bid Price	Offer Price	Yield Gross	City-line
Sarasin (Isle of Man) Ltd				
Fergus Fd July 20		£13.51	–	47346
UK Trend July 24		£10.08	–	47347
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.58	10.37	–	46450
Fleet Street Inv Fd	£8.76	9.40	–	46578
Offshore Income Fd Ltd	£9.57	10.11	–	46580
Nelson Uties W/W S/S	£11.41	12.04	–	46581
Tattersall Intl Assets	£8.67	9.06	–	46805
Tyndall International (Isle of Man) Ltd				
H.I. Gilt/Bulldog	96.9	–	–	45884
(Accum Shares)	154.5	162.4	–	45885
Unibank Scandinavian Fund Ltd				
Scandinavia Fd.	196.84	210.32xd	1.0	45223

JERSEY (SIB RECOGNISED)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	£0.966	0.971	1.039	2.4	44738
Global Income (Inc)	5¼	£0.458	0.458xd	0.489	4.0	44730
Global Resources R	5¼	£0.448	0.451	0.483	1.3	44742
Currency Fund						
Stlg Premium Income R		£10.23		10.24xd	13.8	44726
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 169, Capital Hse, Bath St., St. Helier, Jersey						
Tel. 0534 74687 (Dealing) 0534 75639 (Helpline)						
Facsimile 0534 79040 Telex: 4192136						
Capital House International Growth Funds Ltd ●						
Equities						
UK Equity	5	£1.209	1.217	1.292	–	44810

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Cramped odds

IN THE next few months UK bank base rates may set the longest period of stability since the introduction of floating exchange rates in 1967. If base rates are still 15 per cent on October 5 they will have been unchanged for 365 days. This will then be the second longest period of stability, exceeding the 353 days at 7½ per cent recorded in 1970/71. The longest time with rates unchanged was 391 days at 8 per cent in 1969/70, and in the present circumstances it will not be a great surprise if this record is broken.

UK clearing bank base lending rate 15 per cent from October 5, 1989

Two possible events could change the picture: sterling joining the EMS exchange rate mechanism earlier than expected, or a collapse of confidence in the equities market. Mr Nick Parsons, economist at Union Discount believes there is a possibility that base rates could be 14 per cent by the end of the year, but no lower. He also suggests there is a very good chance that rates will still be at 15 per cent on September 19 when the September short sterling contract on Liffe is delivered. Over the past five years there have been very few occasions when the contract price on delivery has been more than 25 basis points away from the equivalent base rate level. This equates to 85.25 and last week the contract was not far away from this price.

December is a rather different proposition however. Taking the closing price of 86.17 on Friday and accepting that 14 per cent base rates give a likely price on delivery of 86.25 this means there is around 8 ticks (basis points) upward potential. On the other hand if base rates are still 15 per cent at delivery in mid-December the price will probably fall some 92 ticks to around 85.25. At the present price those operators looking for lower base rates appear to be taking rather cramped odds.

£ IN NEW YORK

July 27	Close	Previous Close
£ Spot	1.8370-1.8380	1.8145-1.8155
1 month	1.04-1.03pm	1.05-1.03pm
3 months	3.01-2.98pm	3.03-3.01pm
12 months	9.97-9.87pm	10.04-9.94pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 27	Previous
8.30 am	93.4	93.0
9.00 am	93.4	93.0
10.00 am	93.5	93.0
11.00 am	93.6	93.0
Noon	93.7	93.0
1.00 pm	93.7	93.0
2.00 pm	93.7	93.0
3.00 pm	93.9	93.1
4.00 pm	93.9	93.1

CURRENCY RATES

July 27	Bank rate %	Special Drawing Rights	European † Currency Unit
Sterling	-	0.745065	0.698911
U S Dollar	7	1.34745	1.27516
Canadian $	13.32	1.56159	1.46975
Austrian Sch.	6½	15.4094	14.5483
Belgian Franc	10½	45.0419	42.5777
Danish Krone	10½	8.33263	7.87349
Deutsche Mark	6.00	2.18853	2.06768
Neth Guilder	7.00	2.46516	2.33074
French Franc	10½	7.33080	6.93242
Italian Lira	13½	1601.55	1514.13
Japanese Yen	5¼	202.118	192.103
Norway Krone	8	8.44312	7.96658
Spanish Peseta	-	134.086	127.019
Swedish Krona	11	7.97151	7.52856
Swiss Franc	6.00	1.85611	1.74889
Greek Drach	20½	N/A	202.700
Irish Punt	-	N/A	0.770957

† European Commission Calculations. All SDR rates are for July 26

CURRENCY MOVEMENTS

July 27	Bank of England Index	Morgan Guaranty Changes %
Sterling	93.9	-19.2
U S Dollar	65.1	-13.2
Canadian Dollar	104.4	+2.0
Austrian Schilling	109.5	+11.5
Belgian Franc	111.1	-2.5
Danish Krone	110.4	+4.8
Deutsche Mark	118.5	+24.1
Swiss Franc	114.0	+22.2
Guilder	114.1	+15.7
French Franc	104.8	-12.0
Lira	101.4	-19.1
Yen	121.1	+50.4

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100). Rates are for July 26

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth	3-mth	6-mth	12-mth
1.8345	1.8241	1.8041	1.7768	1.7355

IMM-STERLING $s per £

	Close	High	Low	Prev
Sep	1.8224	1.8238	1.8080	1.7910
Dec	1.7936	1.7950	1.7790	1.7686
Mar	1.7688	1.7700	1.7560	1.7440

OTHER CURRENCIES

Jul 27	£	$
Argentina	9446.55 - 9525.05	5155.00 - 5195.00
Australia	2.3270 - 2.3290	1.2670 - 1.2680
Brazil	123.320 - 124.500	67.30 - 67.90
Finland	6.9315 - 6.9535	3.7880 - 3.7910
Greece	286.60 - 291.15	157.70 - 160.25
Hong Kong	14.2245 - 14.2380	7.7625 - 7.7645
Iran	124.50	67.80
Korea(Sth)	1264.85 - 1305.60	712.60 - 718.20
Kuwait	0.52610 - 0.52710	0.29000 - 0.29050
Luxembourg	61.05 - 61.15	33.25 - 33.35
Malaysia	4.9570 - 4.9690	2.7065 - 2.7075
Mexico	5266.60 - 5270.90	2873.00 - 2874.00
N Zealand	3.1025 - 3.1070	1.6935 - 1.6955
Saudi Ar	6.8025 - 6.8065	3.7495 - 3.7505
Singapore	3.3285 - 3.3360	1.8170 - 1.8190
S Af (Cm)	4.7760 - 4.7880	2.6085 - 2.6100
S Af (Fn)	7.1085 - 7.2490	3.8760 - 3.9525
Taiwan	49.75 - 49.85	27.15 - 27.20
U.A.E.	6.7800 - 6.6655	3.6715 - 3.6735

Selling rate

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sep	94-02	94-03	93-09	93-15
Dec	93-24	93-25	93-01	93-06
Mar	93-15	93-15	92-31	92-30
Jun	93-06	93-06	92-26	92-22
Sep	92-29	92-29	92-14	92-15
Dec	92-21	92-21	92-11	92-08
Mar	92-14	-	-	92-01
Jun	92-07	-	-	91-26
Sep	92-00	-	-	91-19
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Sep	92.69	92.74	92.63	92.62
Dec	92.94	92.99	92.84	92.84
Mar	92.94	92.97	92.82	92.85
Jun	92.74	92.77	92.74	92.68
Sep	92.60	-	-	92.60

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Close	High	Low	Prev
Sep	0.7336	0.7337	0.7273	0.7252
Dec	0.7322	0.7325	0.7267	0.7238
Mar	0.7316	0.7310	0.7275	0.7232
Jun	0.7319			0.7235

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev
Sep	0.6714	0.6720	0.6638	0.6647
Dec	0.6716	0.6720	0.6642	0.6651
Mar	0.6718	0.6718	0.6649	0.6654

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Close	High	Low	Prev
Sep	0.6205	0.6213	0.6166	0.6160
Dec	0.6200	0.6207	0.6160	0.6155
Mar	0.6191	0.6185	0.6180	0.6146

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Sep	92.06	92.10	91.99	92.00
Dec	92.14	92.18	92.01	92.02
Mar	92.12	92.15	92.00	92.01
Jun	91.94	91.96	91.81	91.82
Sep	91.77	91.79	91.64	91.65
Dec	91.55	91.57	91.43	91.44
Mar	91.44	91.46	91.31	91.34
Jun	91.30	91.33	91.18	91.21

STANDARD & POORS 500 INDEX $500 times index

	Close	High	Low	Prev
Sep	355.50	358.50	354.20	358.25
Dec	359.80	362.70	358.60	362.65
Mar	363.45	366.50	362.20	366.30

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.650	18.40	18.40	18.50	18.40	-	0.01	0.06	0.49
1.675	15.90	15.90	16.00	15.90	-	0.03	0.13	0.82
1.700	13.40	13.40	13.50	13.40	-	0.07	0.33	1.28
1.725	10.90	9.40	11.00	10.90	0.01	0.20	0.66	1.91
1.750	8.05	8.50	8.50	8.50	0.03	0.50	1.16	2.61
1.775	6.00	6.05	6.19	6.43	0.08	1.11	1.96	3.61
1.800	3.65	4.04	4.33	4.76	0.38	1.86	2.77	4.84

Previous day's open int: Calls 300,327 Puts 318,977 (All currencies)
Previous day's volume: Calls 10,811 Puts 5,943 (All currencies)

POUND SPOT - FORWARD AGAINST THE POUND

Jul 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8135 - 1.8350	1.8340 - 1.8350	1.05-1.03cpm	6.80	3.06-3.03pm	6.64
Canada	2.0945 - 2.1155	2.1145 - 2.1155	0.30-0.23cpm	1.50	0.88-0.76pm	1.55
Netherlands	3.32 - 3.34½	3.33½ - 3.34½	1⅞-1¾cpm	6.51	5½-5¼pm	6.26
Belgium	60.50 - 61.15	61.05 - 61.15	32-25cpm	5.60	88-78pm	5.43
Denmark	11.20¾ - 11.29¾	11.28¾ - 11.29¾	4⅝-4¼orepm	4.72	13½-12¼pm	4.65
Ireland	1.0995 - 1.1120	1.1035 - 1.1045	0.42-0.37pm	4.29	1.22-1.09pm	4.18
W Germany	2.94¼ - 2.96½	2.96 - 2.96½	1¾-1⅝pfpm	6.84	4¾-4⅝pm	6.41
Portugal	258.70 - 261.05	259.90 - 260.90	62-45cpm	2.47	144-104pm	1.90
Spain	180.35 - 181.95	181.25 - 181.55	1dis-1cpm	-	12-2pm	0.15
Italy	2156½ - 2171¾	2168 - 2169	7-6lirepm	3.60	20-18pm	3.50
Norway	11.35½ - 11.44¼	11.43¾ - 11.44¾	3⅞-3¼orepm	3.67	10¼-9¼pm	3.52
France	9.87 - 9.93¼	9.91½ - 9.92½	4¼-4cpm	4.99	12¼-11¼pm	4.81
Sweden	10.72¼ - 10.82¼	10.81 - 10.82	2⅝-2¼orepm	2.77	6½-6¼pm	2.36
Japan	273¼ - 275¼	274 - 275	1¾-1⅝ypm	7.38	4¾-4½pm	6.92
Austria	20.72 - 20.85	20.80 - 20.83	11½-11gropm	6.59	33½-31½pm	6.23
Switzerland	2.49½ - 2.51½	2.50½ - 2.51½	1¼-1⅛cpm	5.68	3⅝-3½pm	5.68
ECU	1.4300 - 1.4315	1.4305 - 1.4315	0.60-0.57cpm	9	6 - 6	

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.80-5.75cpm. 12 Month 9.95-9.85cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8135 - 1.8350	1.8340 - 1.8350	1.05-1.03cpm	6.80	3.06-3.03pm	6.64
Ireland†	1.6510 - 1.6620	1.6610 - 1.6620	0.37-0.32cpm	2.49	1.06-0.96pm	2.43
Canada	1.1510 - 1.1545	1.1520 - 1.1530	0.50-0.52cdis	-5.31	1.47-1.51dis	-5.17
Netherlands	1.8165 - 1.8310	1.8200 - 1.8210	0.01-0.03cdis	-0.13	0.10-0.13dis	-0.25
Belgium	33.15 - 33.45	33.25 - 33.35	2-5cdis	-1.26	7-12dis	-1.14
Denmark	6.14½ - 6.18	6.15¼ - 6.15¾	0.95-1.15oredis	-2.05	2.80-3.30dis	-1.98
W Germany	1.6110 - 1.6245	1.6140 - 1.6150	par-0.02pfdis	-0.07	0.06-0.09dis	-0.19
Portugal	142.75 - 143.45	143.35 - 143.45	43-53cdis	-4.02	165-195dis	-5.02
Spain	98.85 - 99.75	98.85 - 98.95	52-59cdis	-6.73	154-168dis	-6.51
Italy	1180 - 1188¼	1181¾ - 1182¾	3.00-3.50liredis	-3.30	9.00-9.80dis	-3.18
Norway	6.22½ - 6.26	6.23½ - 6.24	1.50-1.75oredis	-3.13	4.60-5.00dis	-3.08
France	5.40 - 5.44½	5.40½ - 5.41	0.79-0.86cdis	-1.83	2.35-2.55dis	-1.81
Sweden	5.88¼ - 5.91¼	5.89¾ - 5.89¼	1.91-2.08oredis	-4.04	6.15-6.50dis	-4.29
Japan	149.25 - 151.05	149.55 - 149.65	0.08-0.06ypm	0.56	0.15-0.12pm	0.36
Austria	11.35½ - 11.42¼	11.36¼ - 11.37¼	par-0.40grodis	-0.21	0.70-1.80dis	-0.44
Switzerland	1.3625 - 1.3755	1.3675 - 1.3685	0.10-0.13cdis	-1.01	0.30-0.35dis	-0.95
ECU	1.2750 - 1.2840	1.2820 - 1.2830	0.22-0.20cpm	1.96	0.68-0.65pm	2.07

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EXCHANGE CROSS RATES

July 27	£	$	DM	Yen	F Fr	S Fr	H Fl	Lira	C $	B Fr
£	1	1.834	2.962	274.5	9.920	2.510	3.340	2168	2.115	61.10
$	0.545	1	1.615	149.7	5.409	1.369	1.821	1182	1.153	33.32
DM	0.338	0.619	1	92.67	3.349	0.847	1.128	731.9	0.714	20.63
YEN	3.643	6.681	10.79	1000	36.14	9.144	12.17	7898	7.705	222.6
F Fr	1.008	1.849	2.986	276.7	10	2.530	3.367	2185	2.132	61.59
S Fr	0.398	0.731	1.180	109.4	3.952	1	1.331	863.7	0.843	24.34
H Fl	0.299	0.549	0.887	82.19	2.970	0.751	1	649.1	0.633	18.29
Lira	0.461	0.846	1.366	126.6	4.576	1.158	1.541	1000	0.976	28.18
C $	0.473	0.867	1.400	129.8	4.690	1.187	1.579	1025	1	28.89
B Fr	1.637	3.002	4.848	449.3	16.24	4.108	5.466	3548	3.462	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100

EURO-CURRENCY INTEREST RATES

Jul 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14⅞	15 - 14⅞	15 - 14⅞	15 - 14⅞	14⅞ - 14⅝	14⅝ - 14½
US Dollar	8¼ - 7⅞	8¼ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 8	8⅛ - 8
Can Dollar	13⅞ - 13⅝	13½ - 13⅜	13⅜ - 13¼	13⅛ - 13	12⅞ - 12¾	12¾ - 12⅝
D Guilder	8 - 7¾	8 - 7¾	8⅛ - 7⅞	8¼ - 8⅛	8⅜ - 8¼	8⅝ - 8½
Sw Franc	9⅛ - 8⅞	9 - 8¾	9 - 8¾	9 - 8¾	8⅞ - 8¾	8¾ - 8⅝
Deutschmark	8⅛ - 8	8⅛ - 8	8¼ - 8	8⅜ - 8¼	8½ - 8⅜	8⅞ - 8¾
Fr Franc	10⅛ - 10	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	10 - 9⅞	10⅛ - 10
Italian Lira	13 - 11	12 - 11	11⅝ - 11	11½ - 11	11⅝ - 11½	11⅝ - 11½
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼
D Krone	10⅛ - 10⅛	10⅛ - 10⅛	10⅛ - 10⅛	10⅛ - 10	10⅛ - 10	10⅛ - 10
Asian $Sing	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8⅛

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8⅝-8½ per cent; four years 8¾-8⅝ per cent; five years 9⅛-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others: two days' notice

FT LONDON INTERBANK FIXING

(11.00 a.m. July 27) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	110	ASI Leisure 10p	129		R4.7	3.3	4.9	8.4
-	F.P.	-	7½	4	Beggett & Fountain Wts	7½	+½	-	-	-	-
-	F.P.	-	14	6	Fisher (Albert) Wrrts	9		-	-	-	-
500	F.P.	-	101	95	French Property Tst	100	-1	-	-	-	-
-	F.P.	-	39	32	Do. Warrants	39		-	-	-	-
?	F.P.	-	75	58	Golden Vale Ir1p	58		uQ158%	5.1	2.6	10.6
100	F.P.	-	98	95	Jupiter Euro Inv. Tst	98		-	-	-	-
-	F.P.	-	38	35	Do. Warrants	39		-	-	-	-
-	F.P.	-	333	288	Latin Amer Inv Unit	303½		-	-	-	-
$108	F.P.	-	116	114	Nuvenorest 5p	115		R4.05	2.4	4.7	9.3
-	F.P.	-	44	32	Lucas Inds Warrants	32	-½	-	-	-	-
§77	F.P.	-	85	77	M & W 10p	83		R2.2	2.9	3.5	9.3
-	F.P.	-	7	4	‡Oliver Restaurants	5	+1	-	-	-	-
-	F.P.	-	31	21	Paribas French B Wrnts	36	-2	-	-	-	-
120	F.P.	-	130	108	Pittencrieff 10p	115		L2.3	1.8	2.7	14.7
130	F.P.	-	154	143	Snow Healthcare 10p	152	-2	L3.75	2.2	3.3	23.5
§100	F.P.	-	102	95	Siam Select. Growth Tst	102	+1	-	-	-	-
-	F.P.	-	38	30	Do. Warrants	38		-	-	-	-
-	F.P.	-	43	32	Southend Prop Wrrnts	33	-3	-	-	-	-
-	F.P.	-	5½	1½	‡Tullow Oil Warrants	4		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
101.73	F.P.	-	102¼	100	Anglian Water 5¾pc Index-link Ln 2008	102	
100	F.P.	-	101	90	‡Bluebird Toys 12pc Cv Uns Ln 2005	93	
‡	F.P.	-	87p	77p	European Leisure 8.75p (Net) Cv Pf Pf	77p	-3
100p	F.P.	-	115½p	96p	Hepworth Cap Fin 11¼pc Cv Bds 2005	115½p	-¼
100p	25p	-	50p	26p	Reckitt & Colman 9.5pc Cv Bds 2005	48½p	-½
100	F.P.	-	107½	102¼	Tesco Capital 9pc Cnv Cap Bd 2005	106¼	+½
242p	121p	-	164pm	140pm	Tomkins Units Non Int Ln 6p	144pm	+1
100p	F.P.	-	105p	91p	‡Wyndham Group 9.375pc Cm Pf	93p	-2
-	F.P.	-	55p	35p	York Trust 8.5p (Net) Pd Cv Pf 20p	45p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
Ir40	Nil	-	16pm	11pm	Aran Energy Ir20p	14pm	-½
140	Nil	-	35pm	30pm	BTP	34pm	-1
17	Nil	-	1½pm	¾pm	Conrad Contl 10p	¾pm	
650	Nil	-	300pm	44pm	Expl Co of Louisiana	100pm	+56
25	Nil	-	6½pm	4½pm	Fernandes Ind 10p	5pm	
182	Nil	-	51pm	37pm	First Leisure	46pm	
475	Nil	-	120pm	115pm	Harland Simon	115pm	
4	Nil	-	½pm	¼pm	‡Marlsignist 1p	¼pm	
Ir20	Nil	-	12pm	6pm	McInerney Props 10p	11pm	+1
37	Nil	-	8½pm	5½pm	Monument Oil & Gas 5p	6½pm	-½
220	55	23/7	85	60	Racers	66	-3
10	Nil	-	3pm	1pm	‡Reliant Group	1pm	-½
100	Nil	-	48pm	41pm	Sketchley	41pm	-1
800	Nil	-	420pm	358pm	Sun Life	363pm	-10

a Annualised dividend. b Figures based on prospectus estimates. c Dividend rate paid or payable on part of capital; cover based on dividend on full capital. d Assumed dividend and yield. e Earnings based on preliminary figures. g Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". r Introduction. ‡ Placing price. ‡‡ Reintroduction. ‡ Unlisted securities market. Third Market. φ Issued in connection with reorganisation, merger or takeover

BANK OF ENGLAND TREASURY BILL TENDER

	July 27	July 20		July 27	July 20
Bills on offer	£500m	£500m	Top accepted rate of discount	14.3393%	14.3393%
Total of applications	£2065m	£1668m	Average rate of discount	14.3317%	14.3188%
Total allocated	£500m	£500m	Average yield	14.8629%	14.8489%
Minimum accepted bid	£96.425	£96.425	Amount on offer at next tender	£500m	£500m
Allotment at minimum level	49%	29%	Minimum accepted bid 182 days	£93.160	£93.150

WEEKLY CHANGE IN WORLD INTEREST RATES

	July 27	change		July 27	change
LONDON			**NEW YORK**		
Base rates	15	Unch'd	Prime rates	10	Unch'd
7 day Interbank	15	Unch'd	Federal Funds	8	+⅛
3-month Interbank	15	Unch'd	3 Mth. Treasury Bills	7.77	-0.03
Treasury Bill Tender	14.3317	+0.0129	6 Mth. Treasury Bills	7.80	-0.03
Band 1 Bills	14⅞	Unch'd	3 Mth. CD	8.05	-0.20
Band 2 Bills	14⅞	Unch'd	**FRANKFURT**		
Band 3 Bills	-	-	Lombard	8.00	Unch'd
Band 4 Bills	-	-	One mth. Interbank	8.025	-0.05
3 Mth. Treasury Bill	14⅞	Unch'd	Three month	8.125	-0.10
1 Mth. Bank Bills	14⅞	-⅛	**PARIS**		
3 Mth. Bank Bills	14⅞	Unch'd	Intervention Rate	9¼	Unch'd
TOKYO			One mth. Interbank	9⅝	+⅛
One month Bills	7⅞	+⅛	Three month	9⅝	+⅛
Three month Bills	7⅞	+⅛	**MILAN**		
BRUSSELS			One month	11⅝	+⅛
One month	9⅞	+⅛	Three month	11⅝	+⅛
Three month	9⅞	+⅛	**DUBLIN**		
AMSTERDAM			One month	10⅛	+⅛
One month	8.13	+0.06	Three month	10⅛	+⅛
Three month	8.28	+0.05			

MONEY RATES

NEW YORK (4pm July 27) — Treasury Bills and Bonds

Prime rate	10	One month	6.93	Three year	8.13
Broker loan rate	9¾	Two month	9.30	Four year	8.19
Fed funds	8	Three month	7.77	Five year	8.23
Fed funds at intervention	8	Six month	7.78	Seven year	8.37
		One year	7.80	10-year	8.42
		Two year	8.00	30-year	8.48

July 27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.85-7.95	7.95-8.10	7.95-8.10	8.05-8.20	8.20-8.40	8.00
Paris	10-10⅛	9⅝-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-10	9.50
Zurich	7⅞-8⅛	8⅛-9	-	8⅞-9	-	-
Amsterdam	8.06-8.19	8.08-8.18	-	8.23-8.33	-	-
Tokyo	7⅛-7⅛	7⅝-7⅞	-	7⅝-7⅞	-	-
Milan	11⅝-11⅞	11⅝-11⅞	-	11⅝-12	-	-
Brussels	8.45	9⅛-9⅛	-	9⅝-9⅞	-	-
Dublin	10⅛-10⅞	10⅞-10⅞	10⅛-10⅞	10⅛-10⅞	10⅛-10⅛	-

LONDON MONEY RATES

Jul 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15	15	15	14⅞	14⅝
Interbank Bid	14	14¾	14⅞	14⅞	14⅞	14½
Sterling CDs	-	-	14⅞	14⅞	14⅞	14½
Local Authority Deps.	14⅞	14⅞	14⅞	14⅞	14⅞	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14¼	14½	-	-
Company Deposits	-	-	14⅞	14⅞	14⅞	14⅝
Finance House Deposits	-	-	15	15	15	14⅝
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15	14⅞	-
Dollar CDs	-	-	8.03	8.05	8.05	8.15
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8⅝	8⅞	8⅞	9⅛
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9⅛	10	10⅛	10⅛

Treasury Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; six months 13⅞ per cent. Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.3317 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29, 1990. Agreed rates for period July 25, 1990 to August 25, 1990, Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1, 1990 to June 29, 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent. Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	Fri Jul 27 1990: US Dollar Index	% chg ($) since 29/12/89	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/89	Gross Div. Yield	Thu Jul 26 1990: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 1990 High	1990 Low	Year ago (approx)
Australia (80)	147.50	-2.6	119.21	139.48	123.81	124.35	-2.4	5.61	147.12	120.27	139.91	124.10	125.30	158.31	125.85	140.05
Austria (19)	280.79	+54.1	226.93	265.53	235.69	235.75	+47.4	1.23	279.43	228.44	265.75	235.71	235.68	285.63	193.15	127.37
Belgium (61)	158.24	+2.3	127.89	149.63	132.82	129.95	-4.3	4.46	159.40	130.31	151.58	134.45	131.49	160.02	132.11	133.16
Canada (119)	139.52	-8.3	112.75	131.92	117.10	116.43	-8.8	3.48	139.54	114.07	132.69	117.70	116.40	153.61	130.37	149.22
Denmark (33)	275.12	+13.6	222.35	260.17	230.93	230.31	+6.2	1.27	274.63	224.52	261.18	231.68	230.18	275.12	236.69	213.55
Finland (26)	134.35	+0.8	108.58	127.05	112.77	106.85	-5.5	2.56	134.33	109.82	127.76	113.31	107.20	152.29	129.99	142.45
France (124)	159.91	+2.5	129.23	151.20	134.21	135.64	-4.2	3.02	160.65	131.33	152.77	135.50	136.96	168.85	141.69	130.43
West Germany (92)	142.09	+14.9	114.84	134.39	119.27	119.27	+9.6	1.89	142.00	116.09	135.06	119.78	119.78	142.33	122.05	98.21
Hong Kong (48)	144.64	+23.5	116.90	136.78	121.41	144.17	+22.8	4.38	144.93	118.48	137.83	122.26	144.41	147.49	112.24	105.93
Ireland (17)	188.47	+3.8	152.32	178.23	158.20	159.84	-2.9	2.74	187.37	153.18	178.19	158.05	159.91	198.57	172.72	155.58
Italy (96)	106.92	+8.6	86.41	101.10	89.74	94.38	+1.2	2.49	106.59	87.14	101.36	89.91	94.51	109.26	91.85	92.28
Japan (454)	142.49	-27.8	115.16	134.75	119.62	134.75	-24.9	0.63	143.88	117.63	136.84	121.39	136.84	197.26	124.40	188.14
Malaysia (35)	249.59	+9.0	201.71	236.01	209.49	260.21	+9.3	2.08	249.70	204.14	237.46	210.63	260.33	250.89	204.15	189.74
Mexico (13)	557.99	+71.4	450.95	527.66	468.36	1753.06	+83.1	0.30	561.41	458.97	533.91	473.57	1764.72	561.41	324.53	270.69
Netherland (43)	145.64	+1.2	117.70	137.72	122.25	121.01	-3.6	4.66	146.14	119.47	138.98	123.28	121.96	147.41	130.43	127.03
New Zealand (17)	67.10	-6.9	54.23	63.46	56.33	60.38	-6.3	7.26	67.33	55.05	64.04	56.80	60.94	75.36	59.57	68.34
Norway (23)	257.65	+28.9	208.23	243.65	216.27	218.13	+21.9	1.46	255.02	208.49	242.53	215.12	216.25	257.65	202.34	183.58
Singapore (25)	208.22	+17.5	168.28	196.90	174.77	174.44	+12.4	2.07	207.38	169.54	197.23	174.93	173.98	209.24	179.70	168.46
South Africa (60)	186.96	-4.8	151.10	176.80	156.93	159.95	+5.2	3.63	189.09	154.58	179.82	159.50	161.14	251.39	170.00	147.94
Spain (42)	179.28	+9.9	144.89	169.54	150.48	134.32	-0.6	4.09	180.05	147.20	171.23	151.88	135.72	182.25	132.84	152.66
Sweden (34)	229.87	+19.7	185.78	217.38	192.95	200.61	+13.9	2.02	228.15	186.52	216.98	192.45	199.27	232.74	173.89	182.18
Switzerland (68)	105.89	+12.6	85.58	100.14	88.90	89.81	-0.2	2.30	106.25	86.87	101.06	89.64	90.71	109.77	88.75	90.01
United Kingdom (303)	172.86	+8.9	139.70	163.45	145.08	139.70	-4.3	4.88	171.82	140.47	163.39	144.93	140.47	176.18	139.37	158.68
USA (539)	142.62	-0.3	115.27	134.88	119.72	142.62	-0.3	3.42	143.56	117.36	136.53	121.10	143.56	148.95	130.61	139.25
Europe (981)	155.38	+9.1	125.58	146.94	130.43	127.92	-0.3	3.59	155.13	126.83	147.54	130.87	128.67	158.66	135.57	129.82
Nordic (116)	219.30	+17.0	177.23	207.38	184.07	179.95	+10.5	1.69	218.14	178.33	207.45	184.01	179.22	219.30	185.01	173.66
Pacific Basin (659)	142.67	-25.9	115.30	134.91	119.75	134.46	-23.2	0.96	143.94	117.67	136.89	121.42	136.43	192.75	124.63	183.19
Euro-Pacific (1640)	148.23	-14.2	119.79	140.16	124.41	132.57	-15.2	2.08	148.88	121.72	141.58	125.58	134.01	174.18	130.35	161.86
North America (658)	142.34	-0.8	115.03	134.62	119.50	140.90	-0.8	3.42	143.22	117.08	136.22	120.83	141.76	148.43	131.02	139.75
Europe Ex. UK (678)	143.31	+9.3	115.82	135.54	120.31	120.44	+2.4	2.78	143.49	117.30	136.48	121.06	121.17	143.98	124.81	112.61
Pacific Ex. Japan (205)	143.84	+6.6	116.25	136.04	120.75	127.54	+6.4	4.83	143.72	117.50	136.70	121.25	128.12	148.72	122.53	123.92
World Ex. US (1832)	148.55	-13.8	120.06	140.49	124.70	132.71	-14.7	2.14	149.20	121.98	141.91	125.86	134.10	173.77	131.30	161.36
World Ex. UK (2068)	142.65	-11.4	115.29	134.91	119.75	135.46	-10.8	2.30	143.57	117.37	136.55	121.12	136.75	162.00	130.80	151.98
World Ex. So. Af. (2311)	145.08	-9.6	117.25	137.21	121.79	135.67	-10.3	2.57	145.81	119.21	138.69	123.01	136.91	161.84	131.95	152.41
World Ex. Japan (1917)	148.26	+3.3	119.82	140.21	124.46	136.55	-0.2	3.55	148.67	121.54	141.40	125.43	137.37	151.59	134.62	135.51
The World Index (2371)	145.33	-9.6	117.45	137.44	122.00	135.84	-10.2	2.58	146.08	119.42	138.93	123.23	137.08	162.05	132.25	152.39

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes: Name changes: Eternit (Financiere) to Etex (France)(25/7/90) and Zung Fu to Jardine Intl. Motor (Hong Kong)(23/7/90).

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gr Eqv CAR	City-line
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Calcutta Deposit Fd	14.71		-13-Mth	-
The COIF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	14.70		-13-Mth	-
Cent. Bd. of Fin. of Church of England‡‡ 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	14.70		-13-Mth	49253
Gartmore Money Management Ltd 2-3 White Hart Yard, London SE1R 1NX 071-236 1425				
Call Fnd	14.61	11.40	6-Mth	-
7-day Fund	14.73	11.49	6-Mth	-
Special Fund	14.83	-	1-Mth	-
Dollar	6.75	5.27	3-Mth	-

Money Market Bank Accounts

	Gross	Net	Gr Eqv CAR	City-line
Aitken Hume Bank plc 30 City Road EC1Y 2AY 071-638 6070				
Treasury Acc	13.50	10.53	Qtr	-
[illegible]	13.50	10.53	Mth	-
[illegible]	14.00	10.92	6Mth	-
[illegible] £50,000+	14.50	11.31	6Mth	-
Allied Trust Bank Ltd 97-101 Cannon St, London EC4N 5AD 071-629 6802				
O3MA £2,001+	14.78	11.53	Mth	-
HICA £2,001+	13.90	10.84	Mth	-
PROMMA £250,001+	14.90	11.62	-	-
American Express Bank Ltd c/o American Express Financial Services Limited, 49 The Martlets, Burgess Hill, West Sussex RH15 9NW 0444 870088				
High Performance Cheque Account				
£1,000-£4,999	12.16	9.50	Mth	-
£5,000-£9,999	12.30	9.60	Mth	-
£10,000-£24,999	12.81	10.00	Mth	-
£25,000+	13.58	10.60	Mth	-
Bank of Ireland High Interest Cheque Acc 36 Queen St EC4R 1BN 071-625 7000				
2,000-9,999	13.782	10.750	Qtr	-
£10,000+	14.103	11.000	Qtr	-
Bank of Scotland 38 Threadneedle St EC2P 2EH 071-601 6746				
[illegible] £2,500-£24,999	13.4	10.45	Mth	-
£25,000+	13.65	10.64	Mth	-
Barclays Capital Advantage Account PO Box 120, Westwood Bs Pk, Coventry 0203 694242				
£10,000-£24,999	14.00	10.90	Qtr	-
£25,000-£49,999	14.25	11.20	Qtr	-
£50,000+	14.50	11.40	Qtr	-
Barclays Prime Account H.I.C.A. PO Box 125, Northampton 0604 252891				
£1,000-£2,499	11.80	9.20	Qtr	-
£2,500-£9,999	12.20	9.50	Qtr	-
£10,000-£24,999	12.80	10.00	Qtr	-
£25,000+	13.10	10.25	Qtr	-
Benchmark Bank PLC Premier Account 86 Newman Street, W1P 3LD 071-631 3313				
Small Deposits	10.50	-	-	-
£2,500-£10,000	13.50	10.53	Qtr	-
£10,001-£20,000	13.75	10.73	Qtr	-
£20,000+	14.50	11.31	Qtr	-
B & C Merchant Bank PLC Portfolio Acc 29 Motcomb Street, London SW1X 8LB 071-245 6616				
£2,500-£9,999	12.38	9.65	Qtr	-
£10,000-£49,999	13.75	10.73	Qtr	-
£50,000 and above	14.25	11.12	Qtr	-
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2 071-606 9833				
HICA	14.00	10.92	Qtr	-
Prof Demand A/c	13.375	10.435	Qtr	-
Caledonian Bank Plc 8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235				
HICA	14.50	11.35	Yearly	-
Cater Allen Ltd 25 Birchin Lane, London EC3V 9DJ 071-623 2070				
HICA	13.50	10.53	Mth	-
Cancon £5,000 min	14.125	11.0175	Mth	-
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH 071-248 4000				
£2,500-£19,999	13.25	10.34	Mth	-
£20,000-£49,999	13.50	10.53	Mth	-
£50,000-£99,999	13.75	10.73	Mth	-
£100,000+	14.00	10.92	Mth	-
$5,000-$49,999	6.75	5.27	Mth	-
$50,000-$99,999	7.00	5.46	Mth	-
$100,000-$199,999	7.25	5.66	Mth	-
$200,000+	7.50	5.85	Mth	-
Many other currencies are available - for rates please phone ext 2168				
Citibank Savings St Martins Hse, Hammersmith Grove W6 081-741 4941				
Money Market Plus				
£2,000-£24,999	11.00	8.50	Mth	-
£25,000	11.50	9.00	Mth	-
Clydesdale Bank PLC 30 St Vincent Place, Glasgow G1 2HL 041 248 7070				
HICA £2,000-£9,999	12.2	9.52	Qtr	-
£10,000-£19,999	13.0	10.14	Qtr	-
£20,000-£49,999	13.2	10.30	Qtr	-
£50,000+	13.7	10.69	Qtr	-
Co-operative Bank Top Tier 78-80 Cornhill EC3 0800 616162				
£500-£999	10.2	8.0	10.9	-
£1,000-£2,499	11.5	9.0	12.3	-
£2,500-£9,999	12.1	9.5	13.0	-
£10,000-£49,999	13.4	10.5	14.4	-
£50,000+	13.7	10.75	14.7	-
Coutts & Co Reserve Account, 440 Strand, London WC2R 0QS 071-753 1000				
For personal customers				
£50,000+	13.375	10.125	14.02	-
£20,000-£49,999	13.25	10.00	13.84	-
£5,000-£19,999	12.75	9.625	13.30	-
For businesses, charities and societies				
£100,000-£1,000,000	13.625	10.625	14.74	-
£25,000-£99,999	13.50	10.375	14.38	-
£10,000-£24,999	12.50	9.875	13.60	-
Coutts Composite Account for clients money, 27 Bush Lane, London EC4R 0AA 071-623 3434				
Rates negotiable up to	14.625	11.375	-	-
Dartington & Co Ltd 10 The Crescent, Plymouth PL1 3AB 0752 673073				
Money Mkt Acc	13.75	10.72	14.99	-
Edington Plc 1 King Street, Manchester M2 6AW 061 834 2535				
HICA (£1,000+)	14.4375	11.26	15.66	-
Money Market Deposit Account				
£1-£999	10.00	7.800	10.60	-
£1,000-£24,999	14.00	10.92	15.31	-
£25,000-£249,999	14.4375	11.26	15.81	-
£250,000-£999,999	14.625	11.407	16.03	-
£1,000,000 upwards	14.625	11.407	16.03	-
Ninety Day Notice Account				
£10,000-£24,999	15.00	11.70	15.60	-
£25,000 upwards	15.375	11.99	15.99	-
Financial & General Bank plc 13 Lowndes Street, London SW1X 9EX 071-235 0036				
H I D A £5,000-£15,000	13.40	10.50	14.70	-
H I D A £15,000+	13.67	10.70	15.00	-
Gartmore Money Management Ltd 2-3 White Hart Yard, London SE1 1NX 071-236 1425				
Money Mngt. Acct.	14.00	10.92	15.17	-
Girobank plc High Interest Cheque Acc 10 Milk St, London EC2V 8JH 071-600 6020				
£1,000-£3,999	10.75	9.25	12.33	-
£4,000-£9,999	11.00	9.50	12.67	-
£10,000-£49,999	11.75	10.00	13.33	-
£50,000	12.75	10.50	14.00	-
Humberclyde Finance Group Chaley Ct, Winchester Rd, Basingstoke 0256 841863				
£50,000+	15.00	11.70	16.30	-
Lloyds Bank - Investment Account 71 Lombard St, London EC3P 3BS 071-325 3643				
£25,000+	14.5	11.7	15.6	-
£10,000+	14.10	11.5	15.1	-
£5,000+	13.9	10.5	14.0	-
Below £5,000	7.7	5.5	7.3	-
M & G/Kleinwort Benson M & G Hse, Victoria Rd, Chelmsford 0245 266266				
H I C A (£2,500+)	13.25	10.335	14.47	-
Midland Bank plc PO Box 2, Sheffield 0742 528655				
High Int Chq Acc	12.18	9.50	13.13	-
£10,000+	12.82	10.00	13.84	-
£50,000+	13.46	10.50	14.56	-
Premier Savings £5,000+	14.10	11.00	15.07	-
Exchequer Acc £10,000+	14.74	11.50	15.77	-
NatWest Special Reserve Account 41 Lothbury, London EC2P 2BP 071-374 3374				
£25,000 and above	13.25	10.00	13.84	-
£10,000 to £24,999	12.75	9.625	13.30	-
£2,000-£9,999	12.5	9.375	12.95	-
£500-£1,999	11.75	9.00	12.41	-
Provincial Bank PLC 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H I C A (£1,000+)	14.125	11.02	15.45	-
Royal Bank of Scotland plc Premium Acc 42 St Andrew Sq, Edinburgh EH2 2YE 031-228 5650				
£50,000+	13.98	10.90	15.14	-
£25,000-£49,999	13.79	10.75	14.92	-
£10,000-£24,999	13.59	10.60	14.71	-
£2,500-£9,999	12.50	9.75	13.49	-
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB 0708 766966				
H I B A	13.25	10.34	14.52	-
Sterling Bank & Trust Ltd Abbey Gdns, 6 Abbey St, Reading RG1 3BA 0734 592543				
HIDA £2,500+	14.50	11.31	15.51	-
TSB Bank plc (England & Wales) 100 Lower Thames St, London EC3R 6AQ 071-623 6000				
HICA £1-£499	7.00	5.50	7.33	-
£500-£1,999	9.50	7.50	10.00	-
£2,000-£9,999	11.50	9.00	12.00	-
£10,000-£24,999	11.75	9.30	12.40	-
£25,000+	12.25	9.60	12.80	-
Tyndall & Co Ltd 29-33 Princess Victoria St, Bristol 0272 744720				
Demand Acc	13.75	10.73	14.99	-
HIMA	13.62	10.62	14.74	-
HIMA £100,000+	13.87	10.82	15.02	-
Client Plus Acc	13.37	10.43	14.46	-
United Dominions Trust Ltd PO Box 135, Abbey St, Reading RG1 3EB 0734 560411				
Capital Plus Cheque Account £1,000+	14.60	11.39	15.42	-
J. Henry Schroder Wagg & Co Ltd 120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc	13.500	10.53	14.73	-
£10,000 and above	13.7500	10.725	15.02	-
Western Trust High Interest Cheque Acc The Moneycentre, Plymouth PL1 1SE 0752 224141				
£25,000+	14.50	11.31	15.73	-
£5,000-£24,999	14.25	11.12	15.45	-
£1,000-£4,999	14.00	10.92	15.17	-
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1 7AE 071-606 9485				
High Int Cheque Acc	14.50	11.31	15.73	-

NOTES-Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate inc. Cr frequency interest credited

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
1,887	Treas. 10pcCv 1990	98⅞	0.1	19.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	97⅞	0.3	17.4	22May 22Nov	1270
2,200	Treas 11½pc 1991	98⅞		20.6	10Jul 10Jan	1292
400	Funding 5¾pc 87-91‡‡	95⅞	0.2	1.3	5Oct 5Apr	1275
400	Treas 3pc 1991	94⅞	0.5	6.4	13Nov 13May	1326
616	Treas 10pc Cv '91 ‡‡	97⅞	0.2	20.6	12Jan 12Jul	1286
1,550	Exch 11pc 1991	97⅞	0.2	19.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	93⅞	0.4	4.5	10Jan 10Dec	1335
775	Treas 12¾pc 1992‡‡	99⅞	0.2	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	96xd	0.2	16.7	21Aug 21Feb	1283
1,550	Treas 8pc 1992 ‡‡	92⅞	0.1	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	96⅞	0.2	2.4	7Nov 7May	1289
500	Treas 3pc 1992	87⅞	0.3	8.5	11Dec 11Jun	1328
1,350	Exch 12¼pc '92	99¼xd	0.3	19.7	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	101⅞	0.2	13.2	22Mar 22Sep	1266
800	Treas 8¾pc 1993	91⅞xd	0.2	12.7	18Aug 18Feb	
1,850	Treas 10pc 1993‡‡	94⅞	0.4	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	100⅞	0.3	20.6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	86⅞	0.2	6.2	15Mar 15Sep	1276
1,065	Treas 13¾pc 1993‡‡	104⅞	0.3	17.4	23May 23Nov	1304
1,800	Treas 8¼pc 1994	89⅞xd	0.3	27.6	3Aug 3Feb	-
550	Treas 14½pc 1994‡‡	107⅞xd	0.4	26.7	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	104	0.3	21.3	27Oct 27Apr	1267
1,400	Treas 10pc Ln 1994‡‡	94⅞	0.3	3.5	9Dec 9Jun	1284
1,240	Exch. 12½pc 1994	101⅞xd	0.3	16.7	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	90⅞xd	0.5	10.4	17May 17Nov	1345

Five to Fifteen Years

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
2,350	Treas 12pc 1995	100⅞	0.3	18.6	25Jul 25Jan	1294
214	Exch 3pc Gas 90-95	88⅞		26.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	93⅞	0.4	14.6	21Jan 21Jul	1254
840	Treas 12¾pc 1995‡‡	103⅞	0.2	9.4	15May 15Nov	1298
770	Treas. 14pc '96	107⅞	0.1	15.6	22Jul 22Jan	1305
750	Treas 9pc 1992-96‡‡	88⅞	0.3	6.2	15Sep 15Mar	1344
1,150	Treas 15¼pc 1996‡‡	113⅞	0.2	27.3	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	105⅞	0.1	9.4	15Nov 15May	1268
1,109	Conversion 10pc 1996	91⅞	0.2	9.4	15May 15Nov	1240
1,290	Treas 13¼pc 1997‡‡	105⅞	0.2	15.6	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	93⅞xd	0.2	16.7	21Aug 21Feb	1253
3,600	Treas 8¾pc 1997‡‡	86⅞xd	0.8	26.7	1Mar 1Sep	1341
830	Exch 15pc 1997	113⅞	0.4	21.3	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	90⅞	0.7	12.6	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995-98‡‡	76⅞	0.7	26.3	1Nov 1May	1331
935	Treas. 15½pc '98‡‡	118⅞	0.4	21.2	30Mar 30Sep	1308
3,659	Exch 12pc 1998	100⅞	0.6	17.4	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	89⅞	0.6	20.6	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	102⅞	0.5	19.2	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	93⅞	0.5	12.4	19Nov 19May	1288
1,548	Conversion 10¼pc 1999	91⅞	0.5	17.4	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	83⅞xd	0.6	21.6	28Jan 28Jul	1338
1,554	Conversion 9pc 2000‡‡	86⅞	0.8	25.1	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	106⅞	0.5	20.6	14Jan 14Jul	1299
1,050	Treas 10pc 2001	90⅞xd	0.6	20.7	26Aug 26Feb	1280
756	Treas. 10pc 2001 "A"	90⅞xd		20.7	26Feb 26Aug	-
970	Treas. 14pc '98-01	109⅞	0.6	17.4	22Nov 22May	1306
1,450	Treas 9¾pc 2002	89⅞xd	0.6	23.7	27Feb 27Aug	1349
1,045	Treas. 9¾pc 2002 'A'	88⅞xd		23.7		-
1,045	Treas 9¾pc 2002 "B"	88⅞xd		23.7	23Jan 23Jul	-
89	Exch. 9pc 2002	83⅞	0.3	12.4	19May 19Nov	1272
1,360	Treas. 13¾pc 2000-03	110⅞	0.5	18.6	25Jan 25Jul	1303
1,000	Treas 10pc 2003	91⅞	0.6	30.1	8Mar 8Sep	1281
1,620	Treas. 11½pc 2001-04	98⅞	0.6	12.2	19Sep 19Mar	1290
725	Treas. 10pc 2004	91⅞	0.6	11.4	18Nov 18May	1282
443	Funding 3½pc '99-04	51⅞	1.7	20.6	14Jan 14Jul	1274
1,362	Conversion 9½pc 2004	88⅞	0.6	19.3	25Apr 25Oct	1246

Over Fifteen Years

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
1,881	Conversion 9½pc 2005	88⅞	0.8	12.3	18Oct 18Apr	1247
1,050	Exch. 10½pc 2005	95⅞	0.6	12.2	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003-05	107⅞	0.6	17.4	21May 21Nov	1295
1,800	Treas. 8pc 2002-06‡‡	77⅞	1.0	1.3	5Apr 5Oct	1334
3,150	Treas. 11¾pc 2003-07	102⅞xd	0.7	15.6	22Jul 22Jan	1293
1,446	Treas 8½pc 2007‡‡	81⅞	0.8	11.6	16Jan 16Jul	1339
1,250	Treas. 13½pc '04-08	115⅞	0.5	19.2	26Sep 26Mar	1301
2,521	Treas. 9pc 2008‡‡	85⅞	0.8	7.3	13Apr 13Oct	1343
1,000	Treas 8pc 2009	77⅞	0.9	16.2	25Mar 25Sep	1336
223	Conv 9pc Ln 2011‡‡	85⅞	0.7	21.6	12Jan 12Jul	1245
1,000	Treas. 5½pc 2008-12‡‡	56⅞	1.4	1.2	10Mar 10Sep	1330
700	Treas. 7¾pc 2012-15‡‡	74⅞	0.8	19.6	26Jul 26Jan	1332
1,000	Exch. 12pc '13-'17	110⅞	0.5	8.5	12Jun 12Dec	1260

Undated

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
359	Consols 4pc	36⅞xd	0.3	25.6	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	32⅞	0.7	25.4	1Jun 1Dec	1352
135	Conv. 3½pc '61 Aft	57⅞	0.3	23.2	1Apr 1Oct	1241
56	Treas. 3pc '66 Aft	28	0.6	1.3	5Apr 5Oct	1324
276	Consols 2½pc	25⅞	0.7	20.6	5Ja Ap Jul Oct	1238

BRITISH FUNDS—Contd

Index-Linked (b)

Amount £m	Stock	Price £	Wk % change
650	Tr 2pc '92‡‡(97.8)	118⅞	0.8
400	Do 2pc '94(102.9)	108⅞	0.7
1,000	Do 2pc '96(67.9)	159⅞	0.6
900	Do 2½pc '01(78.3)	129⅞	1.1
800	Do 2½pc '03(78.8)	125⅞	1.2
1,200	Do 2pc '06(69.5)	127⅞	1.1
950	Do 2½pc '09(78.8)	118⅞	1.2
1,350	Do 2½pc '11(74.6)	123⅞	1.1
1,300	Do 2½pc '13(89.2)	102⅞	1.2
1,700	Do 2½pc '16(81.6)	110⅞	1.2
1,400	Do 2½pc '20(83.0)	107⅞	1.2
900	Do 2½pc '24‡‡(97.7)	90⅞	1.3

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1989: 118.5 and for June 1990: 126.7.

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Wk % change
50	African Dv Bk 11¼Ln 2010	93⅞	0.6
100	Asian Dev Bk 10¼pcLn 2009	88⅞	0.6
75	Int-Am Dev Bk 12½pc 2003	102⅞	0.5
175	Do 9¾pcLn 2015	83⅞	0.6
75	Mlysia 10¼pcLn 2009	85⅞	
50	Mexican Stocks 16½pc 2008	109	

CORPORATION LOANS

Amount £m	Stock	Price £	Wk % change
45	Birmingham 11½pc 2012	94½	1.1
40	GLC 6¾pc 1990-92	90½xd	
40	Leeds 13½pc 2006	104⅞xd	0.9
5	Liverpool 3½pc Irred	36xd	
26	LCC 3pc '20 Aft	27xd	
7	Manchester 11½pc 2007	92½xd	

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £
-	S Rhod 2½pc Non-Assd	206
3	Do. 4½pc 87-92 Assd	84½

LOANS

Building Societies

Amount £m	Stock	Price £	Wk % change
60	N'wide Anglia 3⅞pc Ln 2021	100⅞	-0.2
50	Do. 4.25pcIL '24	101⅞xd	0.5

Public Board and Ind.

Amount £m	Stock	Price £
25	Met. Wtr. 3pc 'B'	48xd

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Wk % change
7	Greek 7pc Ass	58	
4	Do. 6pc 28 Stb. Ass	58	
-	Do 4pc Mixed Ass	58	
1	Hung. '24 Ass	88	
40	Hydro Quebec 15pc 2011	118⅞	0.6

AMERICANS

Market Cap. £m	Stock	Price £	Week % change
5,398.2	Abbott Laboratories	23⅞xd	-3.3
228.7	Allegheny & W 1c	440p	-2.9
895.6	Amdahl 5c	853pxd	-11.2
2,865.8	Amer. Cyanamid $5	31⅞	-5.3
8,473.9	Amer. Express 60c	16⅞xd	-3.7
21,807.8	American T. & T. $1	20⅞xd	-0.3
11,658.8	Ameritech $1	32	-4.1
	Amsalamerica Equity	227p	3.2
2,403.5	BankAmerica $1.5	14⅞	-5.3
1,715.0	Bankers N.Y. $1	21⅞xd	-3.1
3,125.7	Bell Atlantic $1	25⅞xd	2.0
11,636.5	BellSouth Corp	28⅞	0.4
622.6	Bethlehem Steel $8	8⅞xd	-7.6
	Bio-Rad Labs A	18⅞	-7.4
504.9	Bowater Inc	13⅞	4.8
568.5	Brunswick 75c	6⅞xd	-10.5
3,593.2	CPC Intnl. 25c	43⅞xd	-1.8
83.9	California Engy	460p	0.2

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
892.8	Chase Manhattan $12½	10⅞xd	-6.4	12.9	27.7	Fb My Ag Nv	2109
1,464.3	Chem Banking Corp	13¼	-3.7	11.8	12.6	Ap Jy Oc Ja	-
1,864.2	Chrysler $6¼	8⅞xd	-2.9	8.1	13.6	Mar Jul S D	2135
3,617.2	Citicorp $1	11⅞xd	-3.7	8.9	24.7	My Au N F	2141
2,652.3	Colgate-Palmolive $1	38⅞xd	-4.7	2.7	20.7	F My Au N	2184
750.8	Cont'l Bank Corp $4	743p	1.2	7.6	31.5	Dc Mr Je Sp	

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,165.1	ANZ SA1	224	−2.6	8.9	12.6	Feb July	1698
2,838.5	Abbey National 10p	220½	−2.9	3.4	12.3	Apr Oct	5411
1,182.5	Allied Irish Ord	213	−4.5	4.4	29.5	Dec July	1354
1,136.3	Algemene Fl 10	£31	−1.1	7.6	3.5	Aug May	1567
42.0	Anglo Irish	70	2.9	6.3	30.4	Jan Jul	1355
166.1	Ansbacher (H.) 1p	89	−4.3	3.7	12.3	April	1624
954.5	Bancaire Cie Fr100	£55¾	−4.5	2.3	9.5	May Mar	2202
4,730.7	Banco Bilbao Viz	£19½	....	4.3	9.12	Dec June	−
3,292.1	Banco de Santander	£29	....	3.8	31.10	Apr Oct	−
741.3	Bank Ireland Ir£1	222	−2.2	6.2	29.5	July Dec	1360
134.4	Bank Leumi	£19½	...	...	−	−	1740
24.7	Bank Leumi (U.K.)	350		5.8	26.2	Mar Sep	1740
886.9	Bank Scotland	137	−0.4	5.2	30.4	Nov Jul	1742
97.3	Do. 9¼pc Irrd Pf.	97¼	1.0	12.7	30.4	May Nov	1462
15.0	Bank of Wales	47	−4.6	7.7	30.4	Nov Jun	1743
6,233.1	Barclays £1	394	−3.4	6.6	12.3	Oct May	1754
7.51	Benchmark 20p	14		15.5	9.4	May Oct	1802
49.4	Brown Shipley £1	310	−	5.2	11.6	Jan Aug	1983
66.3	Cater Allen £1	364	−0.8	9.0	25.6	Jan Aug	2081
23.8	Chancery	114	−2.6	10.5	25.6	Jan July	2102
462.8	Commerzbk DM10	£20½	0.3	3.0	27.5	May	1046
[illegible]	Dai Ichi KBk Y50	804	−9.6	0.4	4.7	June	3221
[illegible]	Deutsche Bk DM50	£277	−1.9	1.7	17.5	May	2345
196.5	Espirito Santo	£18¾	0.7	2.1	−	June	5187
327.3	First Nat. Fin. 10p	203	0.5	8.5	9.7	Mar Aug	2571
48.4	FNFC 6.3pc Cv. Pf	100	−1.0	8.4	25.6	July	2570
[illegible]	Fuji Bank Y50	850	−10.1	0.4	4.7	Dec June	1094
112.8	Gerrard & National	296	0.3	8.6	29.5	June Dec	2686
73.4	Guinness Mahon 10p	121	−1.6	2.3	14.5	Jul Feb	5074
411.6	Hambros 20p	254	−4.5	6.0	25.6	Jan Sep	2612
160.5	Do. 7.5pc Cv Pf	107	−4.5	9.3	12.3	Apr Oct	4588
[illegible]	HK & Shang HK$2.50	431	−5.3	6.2	14.9	May Sep	−
24.3	Joseph (Leo) £1	463		4.7	11.12	Jan Sept	5060

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

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MOTORS, AIRCRAFT TRADES – Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES – Contd

THIRD MARKET

Market Cap. £m	Stock		Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
0 91	Scott Pickford 10p	y	13	3.0	4.4	23.7	August	5062
2 23	Semperoora	y	16	6.7	–	–	–	1645
5 60	Sleepy Kids 5p	y	28	–3.4	–	–	–	5068
2.14	Swanyard Studios 1p	y	1½	....	–	–	–	4666
0.52	Systems Connections	y	2¼	....	–	–	–	5341
6.50	Tomorrows Leisure 20p	y	58	....	–	–	–	4248
1.09	UPL Group 10p	y	27	....	–	22.5	Dec. July	4362
9.79	Unit Group	y	183	1.7	3.6	9.7	Jan Aug Oct	4357
8 76	Video Magic Leis 1p	y	53	–3.6	5.0	26.1	Jan July	5071
3.60	Vista Ents 5p	y	3¼	–6.3	–	–	–	3994
6 95	Vizcaya Hldgs 5p	y	13	....	–	–	–	4193
16 8	Wilton Group 1p	y	3¾	....	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.
● "Tap Stock"
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
‡ Price at time of suspension
‡ Not comparable
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date.
▌ No par value
B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. y	830	......
Finlay Pkg. 5p. .. y	51	......
Holt (Jos) 25p..... y	1310	......

IRISH

Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£96	–0.5
Fin. 13% 97/02	£113½	1.1
Arnotts	200	–2.4
Carrol (P.J.J.).......y	122	–1 6
Hall (R. & H.)	165	......
Helton Hldgs.......y	72	......
IRG	200	–2.4
United Drug	155	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	48
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46¼
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property	
Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Arlva Petlm	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines	
Lonrho	21
RTZ	50

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices July 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
23½	19	AAR	.48	2.1	14	400	22⅝	21¾	22⅝	+ ⅝
8⅞	8	ACM n	1.01	12.		137	8⅝	8½	8½	
11⅝	9⅞	ACMIn	1.26	13.		285	10⅛	10	10	– ⅛
9⅜	7¼	ACM M	n1.01	12.		261	8⅛	8	8⅛	+ ⅛
12⅛	10	ACMMM				68	11⅞	11¾	11⅞	
11½	9⅞	ACM Sc	1.26	13.		1654	10	9⅞	10	+ ⅛
9⅞	8⅛	ACMSp	1.01	12.		509	8⅜	8¼	8¼	– ⅛
24⅞	14⅜	AL Lab	.16	.7	19	103	22⅜	21¾	21¾	– ⅞
8¾	2⅞	AM Intl				471	2⅜	2¼	2¼	
23⅛	10¼	AM In pf	2	17.		50	12	11⅞	11⅞	– ⅛
107¾	52½	AMR			13	3944	57⅞	56⅛	56⅝	– ⅞
4⅞	3	ARX				48	3⅜	3¼	3⅜	+ ⅛
72⅞	41½	ASA	3a	6.4		809	47½	46½	47⅛	– ⅛
43⅝	30⅞	AbtLab	s.84	2.0	21	3360	43⅛	42⅝	42⅝	– ¼
15½	11¼	Abitibi	g .50			15	13⅜	13⅜	13⅜	– ⅛
12⅛	7	AcmeC	.40	5.4	9	36	7⅜	7⅜	7⅜	
48⅞	28⅞	Acuson			27	806	46⅛	44½	44⅞	– 1⅞
18⅞	14⅛	AdaEx	2.06e	13		83	16⅛	16⅛	16⅛	– ⅛
15⅞	10	Adobe				130	12⅞	12⅛	12⅛	– ⅛
20⅛	18	Adob pf	1.84	9.8		6	18⅞	18⅞	18⅞	
11⅞	6⅛	AMD			29	1775	7⅛	7	7⅛	– ⅛
32⅞	28⅛	AMD pf	3	10.		13	28⅞	28½	28⅞	– ⅛
10⅞	3⅞	Advest	.16	4.1	48	67	3⅞	3⅞	3⅞	
62½	45¼	AetnLf	2.76	5.5	9	1390	50⅞	50⅛	50⅜	+ ⅞
13⅞	9⅞	AflPb	.24	2.4		340	10	9⅞	10	+ ⅛
25	18⅛	Ahmans	.88	4.6	8	1898	19⅞	19⅛	19⅛	– ½
3⅞	1⅞	Aileen				37	2½	2⅜	2½	
63	43⅛	AirPrd	1.44	2.6	14	619	55⅞	54⅞	55⅛	
29⅞	14⅞	AirFrt	s		14	4759	25⅛	24⅜	25	
25⅛	15½	Airgas			30	31	19⅞	19	19⅞	+ ⅛
20⅞	16½	Airlease	2.52	14.	9	28	18⅛	17⅞	18	– ⅛
10⅛	9⅛	AlaP	dpf.87	9.3		54	9⅜	9⅜	9⅜	
107	102	AlaP pf	11	10.		z90	105	105	105	– ¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

هكذا من الأصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11[illegible]	5	Zemex				10	5	5	5	
17[illegible]	6[illegible]	ZenithE				256	7[illegible]	6[illegible]	7	− [illegible]
21[illegible]	13[illegible]	ZeniNtl	.88	6.1	8	61	14[illegible]	14[illegible]	14[illegible]	− [illegible]
9[illegible]	8[illegible]	Zenur	.90	15.		247	6[illegible]	6[illegible]	6[illegible]	+ [illegible]
18[illegible]	12[illegible]	Zero s	.40	2.9	14	69	14[illegible]	14	14	− [illegible]
51[illegible]	34[illegible]	Zurn	.76	1.6	21	426	48[illegible]	47[illegible]	48[illegible]	+ [illegible]
12[illegible]	10[illegible]	Zweig	1.21e	11.		311	11[illegible]	11[illegible]	11[illegible]	− [illegible]
10	9	ZweigTl	.96	10.		795	9[illegible]	9[illegible]	9[illegible]	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4pm prices July 27

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
			-X-Y-Z-				
XL Dta		7	238	13[illegible]	13	13	− [illegible]
XOMA			1375	26	25[illegible]	25[illegible]	
Xicor			170	3	2[illegible]	2[illegible]	
YanEnS	1.52e	12	66	20	19[illegible]	20	+ [illegible]
YelowF	.82	55	854	27[illegible]	27[illegible]	27[illegible]	
YorkRe		21	611	14[illegible]	13[illegible]	13[illegible]	− [illegible]
ZionUt	1.44	10	1	29	29	29	+ [illegible]

AMEX COMPOSITE PRICES

4pm prices July 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

FINANCIAL TIMES

Monday July 30 1990

The Business Column

A bridge too far for Hanson

To most intents and purposes, three years is just as long a time in business as it is in politics. In these days of fast-moving competitive change, a company may designate a "core business" in 1987, only to sell it in 1990.

But if a company wishes to retain its credibility with shareholders and employees alike, some basic commitments must be binding.

Hanson, Britain's best-known conglomerate, has always explained the logic of its highly diversified portfolio of businesses, old and new, in terms of their conformity to a strict set of management characteristics.

After realising the restructuring potential of all its acquisitions, Hanson has consistently divested businesses which do not conform to these criteria, while retaining most of those which do.

Its main criteria are that its businesses should be in industries which are: relatively basic; have reliable demand patterns; enjoy a stable competitive environment; have relatively low technology, and no great capital intensity.

Secret of success

The reasoning behind this self-limiting list constitutes one of the main "secrets" of Hanson's success (and that of BTR), compared with most other conglomerates: that any company's head office finds it far easier to add maximum value to a portfolio of businesses which require a similar type of "parenting," than to one where the different businesses need various types of head office involvement.

Hanson always operates in an extreme hands-off style, except for its tight central control of finance and top executive appointments.

In the mid-1980s, the success of Hanson's rigorously specialised approach helped spark influential research into its and other types of corporate "strategies and styles" by Michael Goold and Andrew Campbell, now of the Ashridge Strategic Management Centre.

A few months before Goold & Campbell's first book appeared in 1987, Lord Hanson analysed his company's approach in a journal called The Treasurer. Part of his article is particularly pertinent to the current controversy over Hanson's interest in PowerGen, the soon-to-be-privatised UK electricity generation utility.

After outlining some more general principles, Lord Hanson wrote: "We chose, from the very beginning, to be in consumer-orientated businesses... [including services and distribution]. We declined to be in businesses which were heavily capital-oriented – for example, steel, shipbuilding, nuclear power, North Sea oil and gas, and so on, all of which rely on expensive research with a prospect of a return sometime or never."

Force of principles

At no stage in the article did Lord Hanson suggest that his strategy had changed since those beginnings.

The fact that shipbuilding can hardly be said to be research-intensive should not detract from the force of the Hanson principles. The point is that PowerGen, which it proposes to acquire, is pretty capital-intensive – at least on a par with shipbuilding.

PowerGen may be planning to downscale the unit size of future power stations, but it has a heavy current expenditure programme, including £750m of sulphur-scrubbing equipment, for instance.

Moreover, PowerGen would become, by some distance, the largest single business in Hanson's portfolio, ahead of SCM Chemicals and Imperial Tobacco (whose size in Hanson's accounts is distorted severely by the inclusion of government duty).

Whether Hanson could, over time, maintain a hands-off head-office style towards this weighty, capital-hungry animal, and still add maximum value to it, must be doubtful.

More likely is that Hanson would gradually have to develop some electricity industry expertise at headquarters. But that sort of corporate involvement would break with its entire tradition. It would also start to dilute its specialised approach towards the more diffuse style of less successful conglomerates.

Christopher Lorenz

MONDAY INTERVIEW

Good soldier of the public sector

Franco Nobili, president of Italy's Istituto per la Ricostruzione Industriale, speaks to **John Wyles**

A top flight manager, but a political innocent in thrall to the politicians? Or a top flight manager with a clear sense of priorities who does not waste his energies fighting political battles of marginal importance?

Opinions in Italy are still divided about Franco Nobili, the tall, 64-year-old former comrade of Giulio Andreotti's youth, raised last November by that most Byzantine of Italian prime ministers to the lofty position of president of the Istituto per la Ricostruzione Industriale (IRI), the public sector holding company.

Certainly no two careers could have diverged quite so radically over the 42 years since Mr Andreotti was president and Mr Nobili vice-president of the Christian Democrat Party's youth organisation. The former has been a nearly permanent and indispensable feature of Italian government, accumulating an unequalled knowledge of the skeletons and the closets which litter the nation's politics. The latter became synonymous with Italian civil engineering and construction, so apparently indispensable in his own way that when in 1989 Fiat acquired control of his company, Cogefar, Mr Nobili's continued occupation of its presidency was a condition of the deal. Gianni Agnelli, the Fiat president, released him to IRI by special dispensation.

While Mr Andreotti is frequently credited with the subtleties and ruthlessness of a cardinal, Mr Nobili displays the clerical mien and certainties more commonly associated with a Protestant pastor or, in English terms, a north country preacher. He is the epitome of honesty and correctness – the Italians call it "per bene" – whose youthful activities included choral singing, Vatican radio announcing and smuggling arms to the Italian resistance. It would not occur to him that anyone should doubt that he accepted Mr Andreotti's commission "because the Government and the President of the Republic asked me to give a service to the country."

Selfless public service is not a concept one stumbles across every day in Italy but there is nothing artificial about Mr Nobili's desire to do his best for his country nor uncertain about how he is applying himself to his task.

"My purpose is to rationalise IRI and to bring its companies to a European size to compete with the colossi of France, Britain and Germany."

Having begun as the Fascist state's lifebelt to the industrial and banking victims of 1930s recession, and then become a home in the 1970s for private companies the politicians would not let go to the wall, IRI contains a bit of everything. From steel to shipbuilding, aerospace to compact discs, the bran tub generates sales of more than L67,000bn (£30m) and employs more than 16,000 people.

It also makes money now: L1,615bn last year, thanks to the return to profit in 1988 of IRI's industrial sector, a possibility which seemed irrevocably lost during 20 years of continuous losses. This was the achievement of Mr Nobili's predecessor, the ebullient Professor Romano Prodi, whose characterisation of the group as "a giant made up of dwarfs" still best defines its main structural problem.

Mr Nobili's strategy is built around a very straightforward approach which Mr Prodi himself had launched. It begins by aggregating companies which have overlapping activities, such as the recent fusion between Aeritalia and Selenia aimed at exploiting their common strengths in aeronautics and defence electronics. It seeks to encourage a manifestly more difficult (for political reasons) elimination of overlaps with other public sector holding companies, notably the very much smaller EFIM. Finally, it looks to the private sector at home and abroad for alliances which will strengthen market positions and technological capacities.

PERSONAL FILE

1925 Born, Rome. Educated Rome University: degree in jurisprudence.
1949 Joins Milan construction company Farsura.
1959 Cogefar launched by Farsura. Becomes a senior manager, and successively director general, managing director.
1976 President of Cogefar.
1989 President of IRI.

Within this general framework, the new IRI president identifies three particular problems, one conjunctural and two of some political sensitivity. The transformation of East-West relations is presenting the need to find other activities for aeronautics and shipbuilding companies hitherto dependent on defence contracts. The proliferation of IRI companies in the same sector is a challenge to "eliminate useless expenditure by putting such companies together" while government control over tariffs is seriously distorting the accounts of service companies such as SIP and Alitalia.

While launching his own attempt to thin out the branches at Italstat, IRI's construction holding company with its 120 subsidiaries, Mr Nobili has inherited a great deal of unfinished rationalisation business. The move to amalgamate Italy's telephone operating companies, SIP, Italcable and ASST, is still becalmed by the trade union lobby in parliament, while a plan to group disparate companies in IRI and EFIM with a Fiat subsidiary to create one railway equipment manufacturer is badly stalled for political reasons.

Mr Nobili is excessively polite about the politicians – no Prodi-type nods and winks signifying what hell it is to work with them. He plays a very loyal straight bat when invited to confirm that his professional life is continually dogged by political pressures. "At Cogefar, I worked with a majority shareholder owning 55 per cent," he says, refusing to draw any distinction between a private shareholder and his present employer, the Italian state.

Is he sure that the top managers of IRI companies are free of political influence on their operations? "Yes, quite sure, they are autonomous of the political class."

Eyebrows recently soared skywards when Banca Commerciale and Credito Italiano acquired additional managing directors, apparently to satisfy conflicting party political demands, while, seemingly for the same reasons, the telecommunications holding company, STET, not only doubled its complement of managing directors from one to two but also installed a new president with executive powers, Biagio Agnes, formerly of the RAI radio and television service.

What did Mr Nobili think about the conclusions of Italian industrial journalists that such multiplication of senior posts demonstrated that IRI had been suborned by the politicians?

"All of these appointments are perfectly justified. We are creating bigger companies and we need to adjust and strengthen their top management. In the US, there are companies with 10-12 vice presidents. I presided over a private company with sales of L1,500bn a year and three managing directors. We have appointed two at STET with a turnover of more than L10,000bn."

Moreover, Mr Nobili maintains he has had the necessary liberty to choose his managers. The final decisions belonged to him and his president's committee – composed of party nominees. "Of course, I cannot not take suggestions, advice and proposals," says Mr Nobili firmly, adding that in Italy there is a "mania" for talking of godfathers rather than of the professionalism which underpins his recent appointments.

There is also a school of thought among the scribes that the reluctance of the parties and the senior managers connected to them to surrender top positions is actually a major obstacle to Mr Nobili's strategic aim of amalgamating companies into larger units. "Yes it can be a problem, it will be a problem. But if the objectives are just and in the interests of the community, then personal problems must be of secondary importance," he says with that rather evangelical determination which one feels has not yet been fully tested in political battle.

Very early in his reign he ignited more than a few headlines by appearing very cool on the idea of privatisation – one of his predecessor's none too private ambitions for many IRI companies. Many observers had expected a manager who had spent all of his life in the private sector to favour expelling some of the less obviously strategic companies – in food and engineering, for example.

It is not so much that Mr Nobili is opposed to privatisation – indeed he thinks some of his companies will be privatised and many more will be publicly quoted – it is rather that he sees no great virtue in the operation. "We are not public – we have joint stock companies, two thirds of which are quoted on the stock exchange. We have more than 436,000 shareholders, of which the state is largest and represented by IRI. For the future, I say that there is no need to look at the colour of the shareholder but to know whether the company is operating as a monopoly or in a free market. All of our companies work in a free market, they are doing so today in Italy, they will do so tomorrow in Europe."

'IRI managers are autonomous of the political class'

This is a view which would not necessarily command unanimous support in Italy where hidden protectionism and special advantages limit the vulnerability to competition of such IRI stalwarts as Italstat, Alitalia and SIP. But the particularity of Mr Nobili's opinions about the public sector does not end there. Private enterprise in Italy, he says, is a family affair – even for the giants such as Fiat, Olivetti and Ferruzzi. These and others, he is sure, will have trouble organising managerial succession, whereas the public sector guarantees continuity.

Mr Nobili himself is a guarantee of the continuity of many of his predecessor's policies. His lack of political experience may also cause him to charge at targets which Mr Prodi thought it wiser to avoid. The question remains whether industrial logic, commercial instincts and personal determination can prevail over a political class which is always ready to accommodate change providing its own interests and power are not threatened.

Queen should face her subjects at the polls

Michael Prowse on the Royal Family

In the next decade, British taxpayers will fork out nearly £80m to support the household and official activities of the richest woman in the world. Other members of her family will also receive enormous sums. Her mother and husband, for example, will together receive about £1m a year from public funds; her youngest son a cool £100,000.

These sums are not resented, not even by the large numbers of taxpayers who struggle to keep above the poverty line. The royal family remains an immensely popular institution. Most citizens would probably cut any form of public expenditure – from education and social security to defence – before touching the sacred Civil List. Having lost an empire, Britain revels in the pomp and ceremony associated with the Windsors.

There are, however, faint signs of a revival of republicanism. In recent years, adulation from the mass media has been tempered by the publication of several weighty critiques of the monarchy. These include The Enchanted Glass by Tom Nairn (Picador £5.99) and The Myth of British Monarchy by Edgar Wilson (Journeyman £5.95). Both books rely primarily on reasoned argument, although neither author is able to resist a generous dose of invective.

The case against monarchy cannot be based on the recent performance of leading members of the royal family. Indeed, this has far exceeded expectations. Elizabeth II has been a model monarch by the standards of most of her predecessors. Prince Charles has emerged as an intelligent and sensitive social critic, contributing usefully to public debate in spheres such as architecture, the environment and business philanthropy (although one suspects that his views carry weight mainly because of his position). His sister has a fine record in promoting charity.

Putting the merits of individuals to one side, the important question is whether the system of monarchy has any place in a modern, self-confident democracy. Does a division into "sovereign" and "subjects" make sense? Should an unelected individual retain even residual political powers? Is excessively deferential behaviour appropriate in the presence of even minor members of the royal family? I think not, mainly for the reasons so brilliantly expressed by Tom Paine in his 18th-century classics, Common Sense and Rights of Man.

Paine scandalised public opinion by pointing out that the wealth and prestige of monarchs invariably originates in a brutal seizure of power. His description of William of Normandy's accession is particularly memorable: "A French bastard landing with an armed banditti and establishing himself king of England against the consent of the natives is in plain terms a very paltry rascally original..."

Paine saw hereditary succession as a burlesque upon monarchy. "It puts it in the most ridiculous light," he wrote, "by presenting it as an office which any child or idiot may fill. It requires some talents to be a common mechanic; but, to be a king, requires only the animal figure of man – a sort of breathing automaton." The concept of an hereditary monarch, he concluded, was as absurd as that of an hereditary mathematician.

In Britain's case this absurdity has been magnified by the habit of importing monarchs from Holland and Germany. Edgar Wilson reminds us that the Hanover-Saxe-Coburg-Gothas chose the dynastic name Windsor as recently as 1917 to deflect anti-German feeling at the height of the First World War. On hearing that his cousins had changed the family name, the Kaiser reportedly ordered a performance of the "Merry Wives of Saxe-Coburg-Gotha."

Tom Paine was surely absolutely correct. There is no rational way of justifying the awe in which the present royal family is held. The Queen, being unelected, can represent nobody but herself. In a democracy, there should be no subjects, only citizens.

Yet it is tempting to argue that none of this matters, given that real power now resides in a democratically elected parliament. This would be a grave mistake. In the first place, the Queen does have real powers. She can influence events through advice and force of personality. If the two-party system were to break down, she might play a decisive role in determining who entered Downing Street.

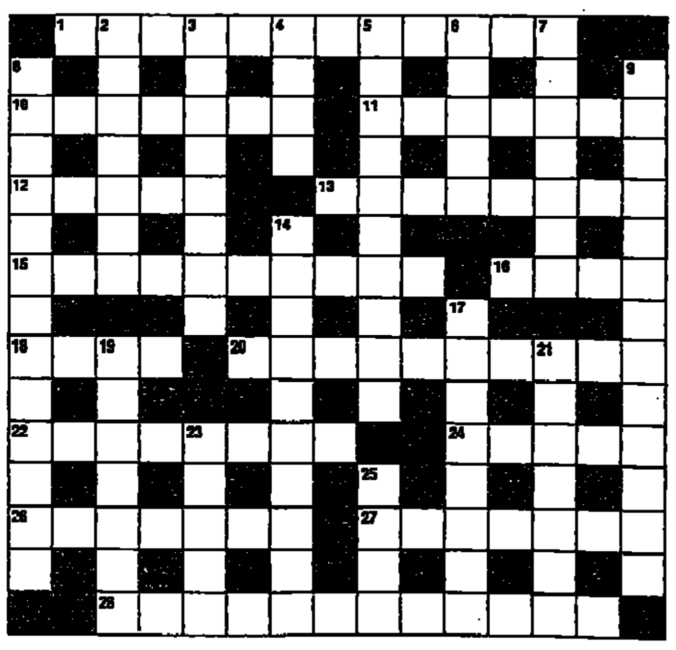
More important, the Queen stands at the apex of a divisive class system which still greatly impairs economic efficiency and social cohesion. Britain is not burdened just with a royal family. It also labours under the weight of dukes, marquesses, earls, barons and other medieval relics, many of whom still retain vast holdings of land and other assets. Archaic titles and other privileges are the hallmark of an immature society, of a people that cannot grow up and face the challenges of a meritocratic world. It is time the UK left the nursery.

Britain would be a healthier and less hypocritical country if it took democratic principles seriously. No family should be treated like gods. There should be no titles. The head of state should be elected and serve a fixed term. He or she should also pay tax like any normal citizen. Let the Windsors compete for the post alongside the Browns and the Smiths of this world.

JOTTER PAD

CROSSWORD

No.7,302 Set by PROTEUS



ACROSS

1 Fear of arrest? (12)
10 Feared being red and dead perhaps (7)
11 Vehicle going right over player (7)
12 The tribe of office nightwatchmen (5)
13 Separate summary (8)
15 Drug writer obtained from flowers (10)
16 Give up some office deliberately (4)
18 Head cook in unit at one time (4)
20 Where I tangled with a fast crew? (4,6)
22 He carries out deals with author (8)
24 Makes flat to suit girl Poles (5)
26 Bird or beast (7)
27 Make known one's opinion of French poet (7)
28 Extremely tall plants police find useful (12)

DOWN

2 Go first or give up in advance? (7)
3 Rough drink for radical girl (3,5)
4 Animal skin to keep out of sight (4)
5 Famous person backing weight over skill (10)
6 Unsuitable paint-roller (5)
7 Crazy person to put teachers' side of argument (7)
8 It affords entree to modern embassy character (9,4)
9 Uncalled-for response in viva? (7,5)
14 Referring to part of brain indicating beer stored in cellar (10)
17 The crime of receivers (8)
19 Crashed cars sad to come upon at dance (7)
21 Treat that is difficult to repeat (7)
23 Decline and rise of penurious Dutch leader (5)
25 Flower of party backing queen (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 11.